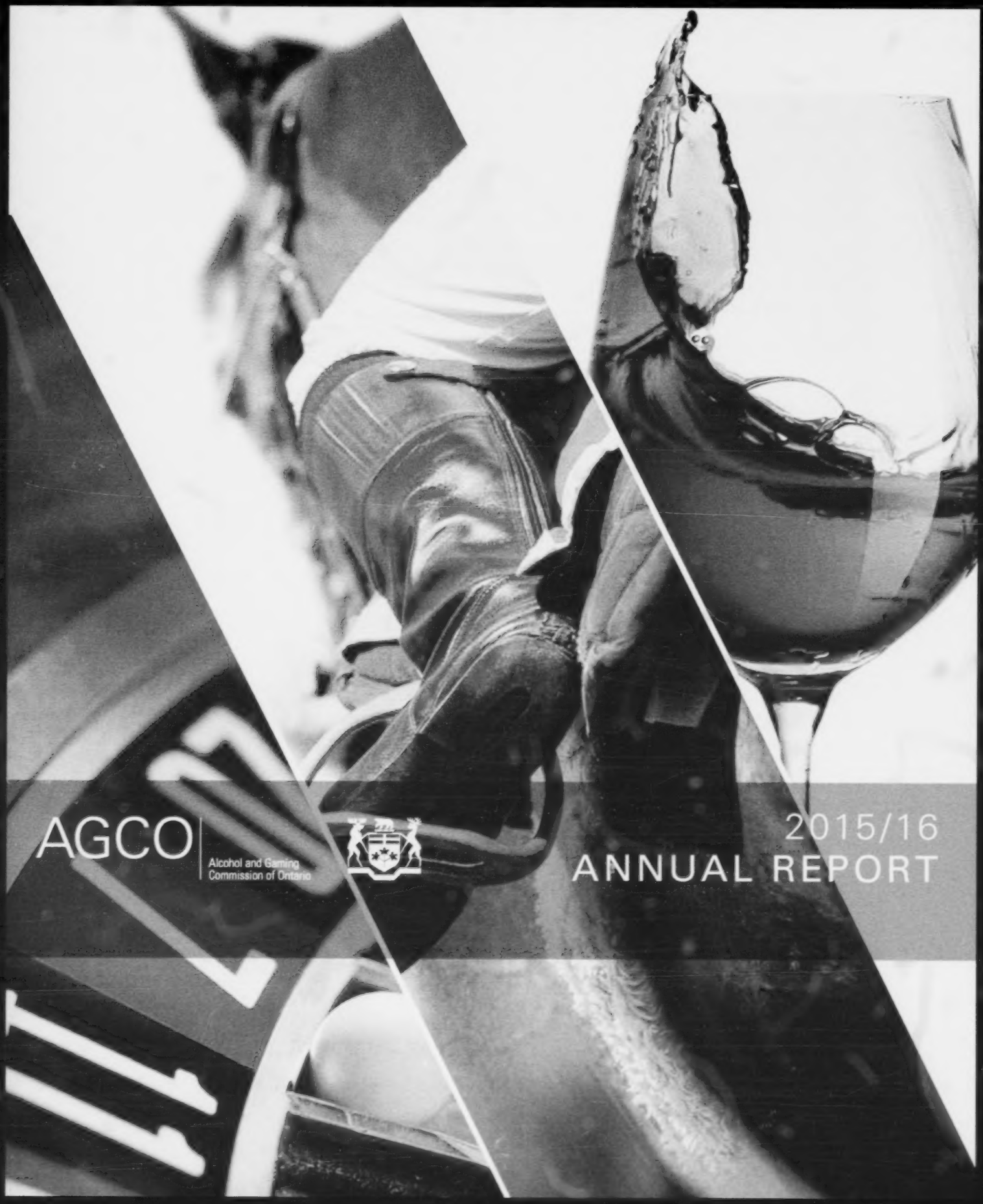

AGCO

Alcohol and Gaming Commission of Ontario

2015/16 ANNUAL REPORT

ISSN 1911-902X (Print)
ISSN 1911-9038 (Online)

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AGCO | Alcohol and Gaming Commission of Ontario

Alcohol and Gaming Commission of Ontario
90 Sheppard Avenue East
Suite 200
Toronto, ON M2N 0A4

Commission des alcools et des jeux de l'Ontario
90, avenue Sheppard Est
Bureau 200
Toronto, ON M2N 0A4

Ontario

Alcohol and Gaming Commission of Ontario
2015/2016 Annual Report

Memorandum to: The Honourable Yasir Naqvi
Attorney General

From: Eleanor Meslin
Chair
Alcohol and Gaming Commission of Ontario

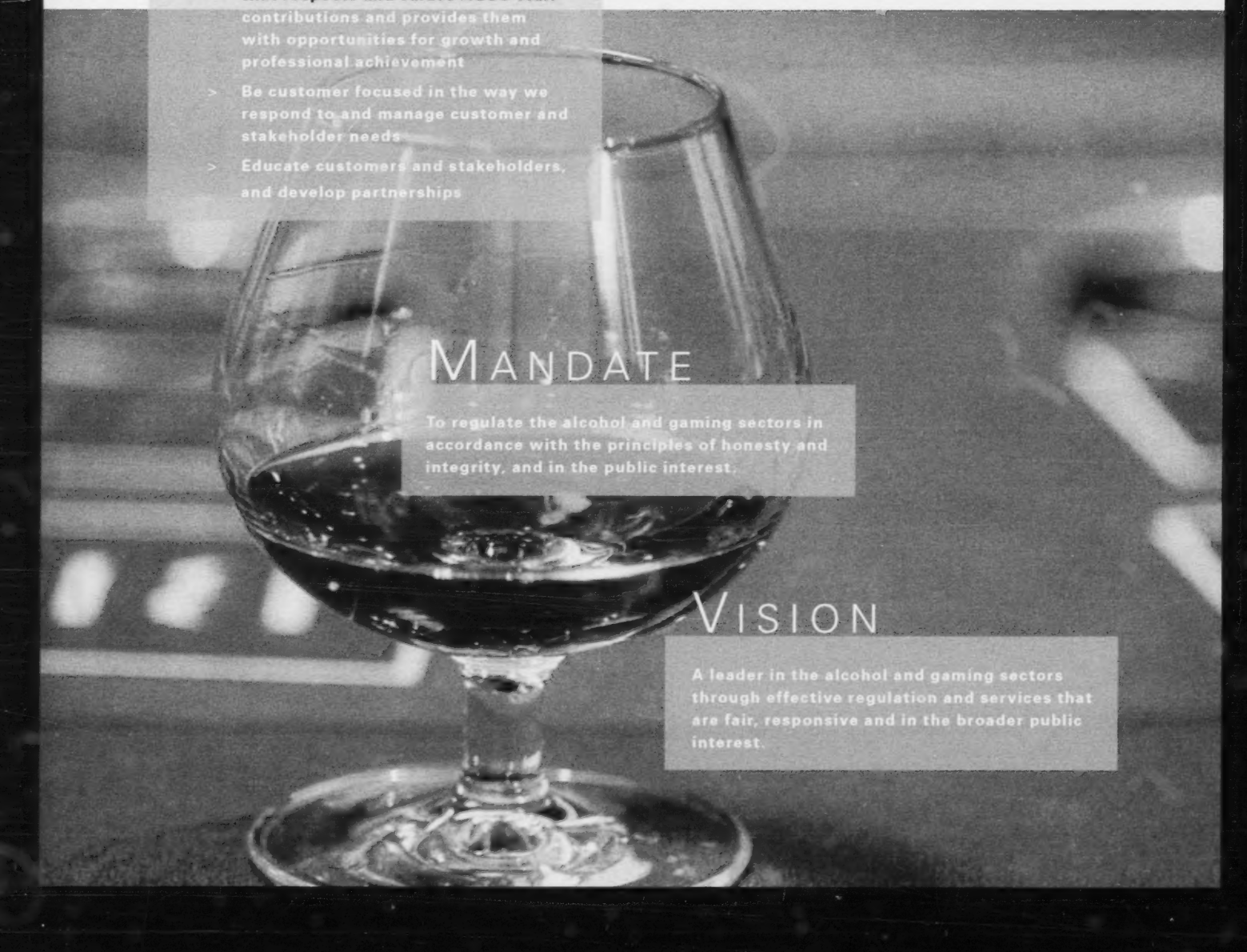
I am pleased to present the Alcohol and Gaming Commission of Ontario's Annual Report covering the period April 1, 2015 to March 31, 2016.

Eleanor Meslin,
Chair

Mission

The AGCO commits to conducting business in a manner that will:

- **Develop, implement and enforce fair policies and procedures**
- **Establish a framework of critical regulatory controls in the public interest that are sensitive to the economic viability of the alcohol and gaming industries**
- **Create a supportive work environment that respects and values AGCO staff contributions and provides them with opportunities for growth and professional achievement**
- **Be customer focused in the way we respond to and manage customer and stakeholder needs**
- **Educate customers and stakeholders, and develop partnerships**



Mandate

To regulate the alcohol and gaming sectors in accordance with the principles of honesty and integrity, and in the public interest.

Vision

A leader in the alcohol and gaming sectors through effective regulation and services that are fair, responsive and in the broader public interest.

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FOREWORD

In the spring of 2015 the Government of Ontario announced that it would be integrating the regulatory responsibilities of the Ontario Racing Commission with the Alcohol and Gaming Commission of Ontario effective April 1, 2016.

While the formal merger of the ORC's regulatory functions did not occur until April 1, 2016, the majority of the planning and the work required to effect the merger was carried out during the 2015/16 fiscal year. As a result, this annual report is divided into two sections, the first devoted to the activities of the AGCO during this period, including activities related to the regulatory merger and the second section is devoted to the ORC's financials and activities in 2015/16.

Chair's Message

It is with pleasure that I present the 2015/16 Annual Report on behalf of the Alcohol and Gaming Commission of Ontario (AGCO).

I am pleased to report that we made significant progress in moving forward with our five-year Strategic Plan which focuses on five strategic goals:

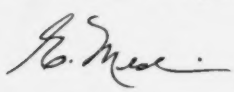
- Modern Regulator
- Value for Money
- Strategic Engagement
- Quality Service Experience; and
- Rewarding Workplace

These goals are aligned with and support key government and Ministry priorities and objectives, and continue to be a primary focus of our work. They inform our decision making process in the continued regulation of the alcohol and gaming sectors, and provide a framework for the roll-out of important government initiatives such as: the transfer of regulatory authority for horse racing to the AGCO, beer, cider and wine sales in grocery stores as well as significant and important changes in the charitable gaming sector.

As an organization, the AGCO continues to evolve and transform with the aim of becoming an employer of choice. The Board supports the leadership of the AGCO as they engage with staff in achieving this goal through various initiatives, including: job shadowing programs, a strong commitment to education and training and coaching and mentorship at all levels. This collaborative, cross-functional and horizontal approach to management will make the AGCO an organization that is capable of addressing the needs of an ever changing workforce.

I am also pleased to report that the AGCO has successfully come through a truly transformative year, one in which the organization's mandate was expanded to include the regulation of horse racing. The successful merger of the AGCO and the Ontario Racing Commission has affected every aspect of our organization from operations and human resources to the role of the Board, and a significant part of that success is due to the team-based, collaborative approach adopted early on by the Integration Team who oversaw the merger.

Helen Keller, the ground breaking hearing and visually impaired author and political activist once wrote: "Alone we can do so little; together we can do so much." I believe that the spirit of that statement is captured in the culture and the people of the AGCO. Their strength and their ability to continually deliver fair and responsive services, while regulating the alcohol, gaming and horse racing sectors with the principles of honesty, integrity and in the public interest is borne out of that collaborative, collective approach to everything they do. On behalf of the Board I congratulate the leadership and staff on another successful year.



Eleanor Meslin
Chair

Chief Executive Officer's Message

"Teamwork is the ability to work together toward a common vision - the ability to direct individual accomplishments toward organizational objectives. It is the fuel that allows common people to attain uncommon results."
- Andrew Carnegie

The great Scottish American industrialist and philanthropist, Andrew Carnegie, understood the power of working together to achieve excellence in a common goal. And his words ring true, not only in the historical context, but in the present day, providing organizations that employ the power of collaboration, like the AGCO, with a cornerstone for success. The benefit of this is the kind of environment where trust and two-way communication establish a highly positive working environment and corporate culture. The AGCO has been focusing on creating this type of environment through a variety of means, including: regular town hall meetings, staff events, ongoing communications and updates through a variety of channels, pulse surveys and more.

This past year saw the AGCO embark upon a transformational initiative to integrate the regulation of horse racing into its mandate. The work leading to the official merger of the AGCO and the Ontario Racing Commission (ORC) on April 1, 2016, was led by an Integration Team which employed a cross-functional and collaborative approach to the merger. Harnessing the talents of staff from both organizations, the AGCO integrated into its operation, the full regulatory function of the ORC, all of its administrative and "back office" functions, and established a new tribunal to adjudicate violations of the Rules of Racing. The merger of these two organizations was achieved seamlessly, all the while continuing to provide excellent service and support to the horse racing industry, and I am proud of the work accomplished during this period of transition.

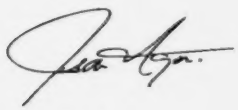
Great strides were also made in the past year to modernize and streamline our work through the ongoing development of a new Regulatory Assurance Solution (RAS). RAS is being designed to standardize the AGCO's processes and technology across all lines of business according to industry best practices, and provide a higher standard of service for our customers. One of the most unique things about RAS is that it is an employee-driven project. The steps in our processes are being created *by* employees, *for* employees. This ensures that the system will work in a way that makes sense for the people using it.

Collaboration and teamwork not only characterizes the work we perform internally at the AGCO, it drives our approach to engaging with our government and industry partners. This past year, the AGCO, in partnership with industry leaders from all sectors launched significant regulatory reform. Our engagement-focused approach to stakeholder relations is designed to develop strategic partnerships and alliances to improve regulatory outcomes and strengthen the AGCO's effectiveness as a regulator. Some notable achievements in the past year include:

- Working with the OLG and casino operators to continue implementing the Registrar's Standards for Gaming which shift the focus from requiring operators to comply with a specific set of rules or processes, which tend to be prescriptive in nature, towards broader regulatory outcomes

- Working with the OLG and charitable foundations at major sports venues to permit the use of electronic ticketing machines for 50/50 draws
- Working with the Premier's Advisory Council on Government Assets and alcohol industry stakeholders to bring fundamental change to the alcohol retail environment in Ontario

The successes we achieved this past year are the direct result of the excellence of our staff and the strong working relationships with our partners and stakeholders. I thank you all for such a productive year, and I look forward to continuing our important work in 2016/17.



Jean Major
Chief Executive Officer

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Overview

The AGCO is responsible for administering and enforcing the rules set by the Ontario government in order to regulate the following activities:

- The sale and service of beverage alcohol
- Lotteries operated by the Ontario Lottery and Gaming Corporation (OLG) on behalf of the Government of Ontario
- Gaming conducted and managed by the OLG, including casinos, slot machine facilities and internet gaming
- Charitable bingo halls conducted and managed by OLG; and
- Lottery schemes conducted and managed by charitable, not-for-profit and religious organizations

In 2015, the Government of Ontario announced that effective April 1, 2016, the AGCO would also become responsible for the regulation of horse racing, by integrating the regulatory responsibilities and staff of the Ontario Racing Commission within the AGCO. Planning for these changes occurred in 2015/2016, during a "soft merger" period when the AGCO's CEO, Jean Major was cross appointed as CEO of the Ontario Racing Commission in July, 2015. Most of the planning and decision-making required to successfully merge the operations and the staff of the two agencies were carried out during this year.

The AGCO's main objectives in regulating the sale and service of beverage alcohol are to:

- Ensure that alcohol is sold and served responsibly and in the broader public interest
- Ensure that residents are provided an opportunity to have their interests considered during the licensing process
- Permit Ontarians and visitors to the province the opportunity to enjoy alcohol within an economically viable hospitality and tourism sector
- Promote fairness, equity and a level playing field for the industry through a consistent compliance approach to the regulations; and
- Conduct compliance activities in alignment with the law and the maintenance of public safety

The AGCO's main objectives in regulating gaming activities in the province are to:

- Ensure that gaming is operated with honesty and integrity, and in the broader public interest
- Facilitate a competitive and flexible operational environment for Ontario's gaming facilities while maintaining the highest standards of operation and regulation
- Ensure that all games are, in fact and appearance, fair
- Maintain public confidence in the integrity of the games
- Establish a safe and secure environment at all gaming facilities; and
- Protect the assets of the Crown

The principles which guide the AGCO's activities are prescribed in governing legislation and require the AGCO to exercise its powers and duties in the public interest and in accordance with the principles of honesty, integrity, and social responsibility. In fulfilling its regulatory mandate, the AGCO strives to be transparent in its operations and achieve a fair and appropriate balance among the interests and perspectives of its stakeholders. The AGCO aims to ensure its regulatory activities support the economic viability of the alcohol and gaming industries, while maintaining public safety and confidence in these industries.

Mission

The AGCO commits to conducting business in a manner that will:

- Develop, implement and enforce fair policies and procedures
- Establish a framework of critical regulatory controls in the public interest that are sensitive to the economic viability of the alcohol and gaming industries
- Create a supportive work environment that respects and values AGCO staff contributions and provides them with opportunities for growth and professional achievement
- Be customer-focused in the way we respond to and manage customer and stakeholder needs; and
- Educate customers and stakeholders, and develop partnerships

Mandate

To regulate the alcohol and gaming sectors in accordance with the principles of honesty and integrity, and in the public interest.

Vision

A leader in the alcohol and gaming sectors through effective regulation and services that are fair, responsive and in the broader public interest.

Key Activities

The AGCO is responsible for the administration of the:

- *Liquor Licence Act, 1990* (LLA)
- *Wine Content and Labelling Act, 2000*
- *Liquor Control Act, 1990* [Section 3(1)b, e, f, g and 3(2)a]
- *Gaming Control Act, 1992* (GCA)
- Lottery Licensing Order-in-Council, 1413/08 (as amended); and
- Part I of the *Alcohol and Gaming Regulation and Public Protection Act, 1996*

The administration of these Acts and the Order-in-Council involves the following core activities:

Regulating the Alcohol and Gaming Sectors

- Licensing and regulating establishments that sell or serve liquor, liquor delivery services, liquor manufacturers and their representatives, representatives of foreign manufacturers, and ferment-on-premise facilities
- Administering the Special Occasion Permit program which is delivered through designated Liquor Control Board of Ontario retail stores
- Authorizing manufacturers' retail stores, which includes on-and off-site winery retail stores, on-site distillery retail stores, on-site brewery retail stores and Brewers Retail Inc. (The Beer Store) stores
- Authorizing grocery stores to retail alcohol to the public
- Registering commercial suppliers and gaming employees of charitable gaming events, casinos, slot machine facilities and internet gaming (iGaming)
- Registering suppliers and retailers of OLG lottery products

- Administering, in partnership with municipalities, the regulatory framework governing the issuance of charitable lottery licences (e.g. bingo, raffle and break open ticket events)
- Licensing games of chance at fairs and exhibitions
- Approving rules of play or changes to rules of play for games conducted and managed by OLG; and
- Excluding persons from accessing gaming premises pursuant to the GCA and its regulation

Investigating, Inspecting and Monitoring

- Inspecting and monitoring liquor sales licensed establishments to ensure compliance with the LLA and its regulations
- Inspecting/monitoring casinos, slot machine facilities, charitable gaming events/facilities and retail locations where OLG lottery products are sold for compliance with the GCA and its regulation, licensing and registration requirements
- Conducting eligibility assessments on individuals and companies seeking registration and licensing under the GCA and LLA
- Providing police presence at casinos and slot machine facilities
- Developing and implementing the Registrar's Standards for gaming in relation to the conduct, management and operation of gaming sites, lottery schemes or related businesses and services
- Conducting audits of companies registered and licensed under the GCA and LLA
- Monitoring internal control, surveillance and security systems, and other operational systems for casinos and slot machine facilities for compliance with regulatory requirements
- Testing, approving and monitoring gaming equipment such as slot machines, gaming management systems and iGaming platforms; and
- Investigating insider wins involving lottery retailers/systems managers or lottery equipment suppliers

Adjudication

- Arbitrating disputes between two or more claimants for a lottery ticket prize

Social Responsibility: Evolving Social Attitudes

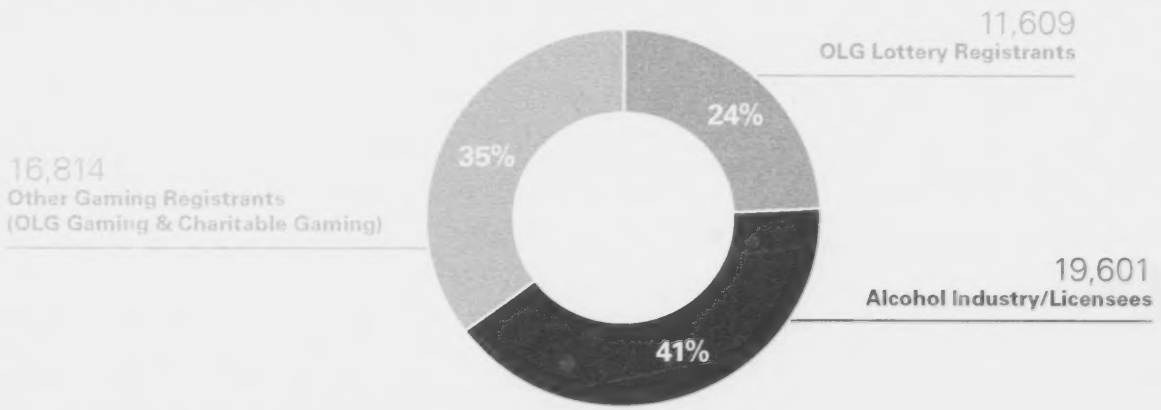
With a focus on continuing to modernize as a Regulator and to better reflect both the maturity of the industries and evolving societal views, the AGCO continues to refine its role in the promotion of social responsibility in the alcohol and gaming sectors. Greater public confidence in the gaming industry in general has led to a focus on responsible gambling, while the changing views of the liquor industry place a greater emphasis on responsible use and enjoyment.

A key component to support social responsibility is the AGCO's enhanced role in the area of responsible gambling, established through the Registrar's Standards for Gaming. While the AGCO remains diligent in ensuring that gaming is conducted with honesty and integrity, the agency's regulatory focus has evolved to reflect the maturity of Ontario's gaming industry. The Registrar's Standards replace the former prescriptive set of rules and regulations with broader outcomes-based standards to which regulated entities must adhere. Standards related to responsible gambling include provisions related to advertising and marketing, informed choice, player support, voluntary self-exclusion and game design. Additionally, as part of the planning to regulate horse racing, the AGCO will be working with the industry to determine the best course to promote social responsibility in this new line of business.

The AGCO is advancing its commitment to Strategic Engagement by proactively working with multiple governmental, industry and public interest groups in an effort to enhance the AGCO's social responsibility role and programs. For example, the AGCO, in collaboration with the OLG, has established an ongoing Responsible Gambling Policy Roundtable that includes the Responsible Gambling Council, the Centre for Addiction and Mental Health and the Gambling Research Exchange Ontario. The Roundtable serves as a platform to discuss and evaluate the Registrar's Standards related to responsible gambling and provide a forum to discuss areas of shared interest and recent advancements in responsible gambling.

In the alcohol sector, the AGCO continues to modernize the regulation of Ontario's beverage alcohol industry, which is a key component of the Commission's 'modern regulator' objective. To date, the AGCO's Liquor Modernization Project has involved extensive stakeholder engagement including dedicated sessions with industry, public health and social responsibility groups. Moving forward, the AGCO will continue its regulatory modernization of the beverage alcohol industry in a way that supports new investment and innovation while upholding the highest standards of social responsibility.

FIGURE 1 AGCO LICENSEES AND REGISTRANTS



* Does not include the +/- 61,000 Special Occasion Permits issued by LCBO on behalf of the AGCO

Board of Directors

The *Alcohol and Gaming Regulation and Public Protection Act, 1996* constitutes the AGCO as a corporation without share capital and requires that the AGCO have a Board of Directors of at least five members. Board members are appointed by the Lieutenant Governor in Council, through Order-in-Council.

The Board is responsible for the overall governance of the Commission and meets as a Board of Directors on a monthly basis. In exercising its governance functions, the Board sets goals and develops policy and strategic directions for the Commission to fulfill its mandate.

This involves working with the Chief Executive Officer and Senior Management on Regulatory, Governance and Corporate Governance activities.

The list below reflects the members of the Board as at March 31, 2016, including their original appointment dates.

ELEANOR MESLIN
Chair (Part-time)

First Appointed
November 2000

Appointed Interim Chair
February 2011

Appointed Chair
February 2013

Term Expires
February 2017

BRIAN FORD
Member (Part-time)

First Appointed
September 2004

Term Expires
September 2016

BERYL FORD
Member (Part-time)

First Appointed
September 2004

Term Expires
September 2016

S. GRACE KERR
Vice-Chair
(Part-time)

First Appointed
July 2007

Appointed Interim Vice-Chair
June 2013

Appointed Vice-Chair
December 2013

Term Expires
July 2016

BRUCE MILLER
Member (Part-time)

First Appointed
December 2008

Term Expires
December 2016

ELMER BUCHANAN
Member (Part-time)

First Appointed
July 2015

Term Expires
July 2016

ERIC ANTHONY
CLEAR (TONY)
WILLIAMS
Member (Part-time)

First Appointed
July 2015

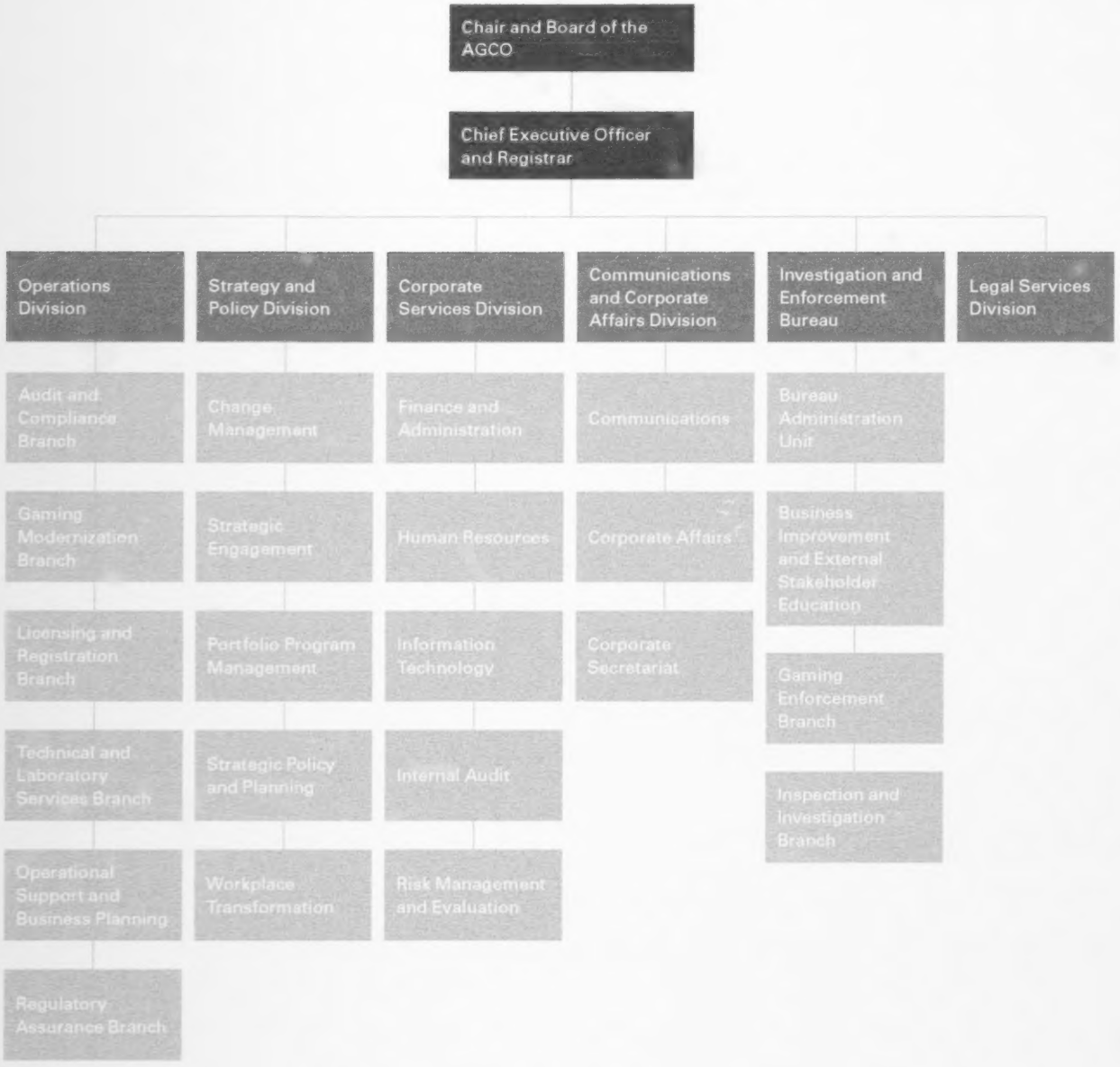
Term Expires
July 2016

Corporate Organization

Organizational Structure

The AGCO's organizational structure is based on functional responsibilities and consists of six Divisions, each of which is led by a member of the Executive Committee reporting directly to the Chief Executive Officer and Registrar.

FIGURE 2 ORGANIZATIONAL STRUCTURE OF THE AGCO



Strategic Direction

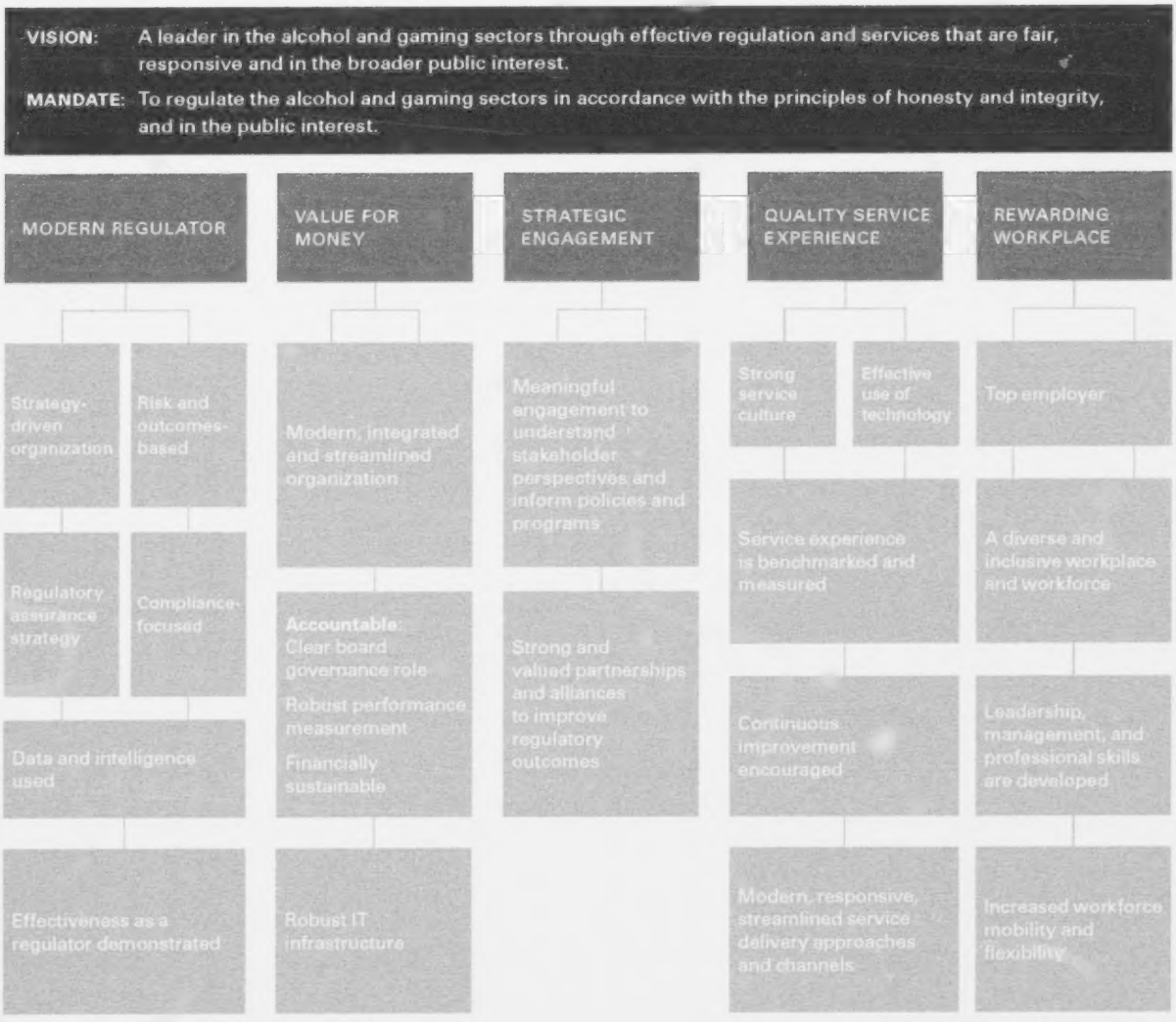
To continue to effectively regulate and function as its operating environment becomes increasingly complex, the AGCO has developed a Strategic Plan (2013/14-2017/18) that will help the agency navigate challenges and opportunities during a period of expanding responsibilities in both the liquor and gaming sectors, and starting in 2016, the horse racing industry.

The AGCO Strategic Plan identifies the following five strategic goals:

1. Modern Regulator
2. Value for Money
3. Strategic Engagement
4. Quality Service Experience
5. Rewarding Workplace

FIGURE 3 STRATEGIC GOALS AND PLANNING THEMES

STRATEGIC GOALS AND PLANNING THEMES


VISION: A leader in the alcohol and gaming sectors through effective regulation and services that are fair, responsive and in the broader public interest.
MANDATE: To regulate the alcohol and gaming sectors in accordance with the principles of honesty and integrity, and in the public interest.
MODERN REGULATOR
VALUE FOR MONEY
STRATEGIC ENGAGEMENT
QUALITY SERVICE EXPERIENCE
REWARDING WORKPLACE
Strategy-driven organization
Risk and outcomes-based
Regulatory assurance strategy
Compliance-focused
Data and intelligence used
Effectiveness as a regulator demonstrated
Modern, integrated and streamlined organization
Accountable:
Clear board governance role
Robust performance measurement
Financially sustainable
Robust IT infrastructure
Meaningful engagement to understand stakeholder perspectives and inform policies and programs
Strong and valued partnerships and alliances to improve regulatory outcomes
Strong service culture
Effective use of technology
Service experience is benchmarked and measured
Continuous improvement encouraged
Modern, responsive, streamlined service delivery approaches and channels
Top employer
A diverse and inclusive workplace and workforce
Leadership, management, and professional skills are developed
Increased workforce mobility and flexibility

The strategic goals are aligned with and support the achievement of key government objectives for enhanced accountability, efficiency and value for money in the delivery of public services, evidence-based decision-making and policy development, and minimizing the administrative burden, where possible, on those regulated by the AGCO.

Over the past year, the AGCO continued to make significant progress towards achieving the goals set out in our Strategic Plan:

1. Modern Regulator

The AGCO continued to modernize its regulatory approach, demonstrating leadership, innovation and effectiveness in the regulation of the alcohol and gaming sectors. In order to achieve this objective, the AGCO is continuing its ongoing transition towards risk-based, outcomes-based, and compliance-focused regulation. Building on its experience with foundational programs such as Risk-Based Licensing and Registration, and Risk-Based Enforcement, and consistent with its strategy of integration and convergence, the AGCO will develop a framework to guide the consistent use of risk-based methodologies and approaches across all lines of business, including Horse Racing.

Moving forward, the Registrar's Standards will replace the prescriptive, rules-based approach taken in the previous regulations. The new standards were drafted at a high level of generality so as to capture the purpose behind the rules. This offers greater flexibility to regulated entities to design their own control environments and determine the most efficient and effective way of fulfilling their regulatory obligations, while at the same time ensuring that the integrity of gaming is preserved. Ultimately, the goal is to strengthen regulatory outcomes in a way that does not unnecessarily burden regulated entities.

The AGCO continues to plan and coordinate the key activities needed to ensure the successful implementation of the Registrar's Standards for Gaming across various gaming sectors, including overseeing the development of the AGCO's regulatory assurance activities and monitoring the establishment of the operators' control environments. Amended Registrar's Standards for Gaming were issued September 29, 2015. On September 30, 2015, OLG Slots at Kawartha Downs and the Thousand Islands Casino transitioned to the new standards-based regulatory model. In addition, Lottery Standards were developed and released to OLG in 2015, and discussions regarding appropriate timing for implementing the standards are ongoing.

In recent years, the government and the AGCO have taken a series of important steps to modernize the regulation of Ontario's beverage alcohol industry. These steps include, among other things, the continuation of pilot program to allow the sale of VQA wines at Ontario Farmers' Markets. (See more detail on page 38.)

This past year, the government established the Premier's Advisory Council on Government Assets. As part of their work, the Council recommended changes to Ontario's alcohol distribution system. As a result, regulatory changes were made by government which included providing AGCO with authority to issue authorizations for the sale of beer in grocery stores.

2. Value for Money

The AGCO is committed to remaining efficient and effective in its operations, supported by strong governance and accountability structures. The AGCO employs a risk-based approach to its licensing, registration and enforcement activities. By identifying which applicants, licensees and registrants pose an enhanced risk of non-compliance, the AGCO is better able to target its resources on the identified high-risk areas thereby allowing for improved efficiency and service delivery. To support the agency's commitment to Value for Money and enhanced accountability, the AGCO is currently implementing the second phase of a uniform and integrated process to identify, analyze, evaluate, treat, and monitor key risks across the organization. Enhanced accountability and governance is achieved through risk identification, mitigation and monitoring. The Enterprise Risk Management (ERM) Strategy and methodologies form a foundation to guide management decision-making processes. This ensures that the AGCO understands its business and operational risks and manages them to an acceptable level of exposure, given its priorities and objectives. To date, a range of risk assessments have been conducted using the framework to identify, analyze, treat and monitor key risks across the AGCO.

More recently, the AGCO began the development and implementation of a strategic and integrated approach to performance measurement to target, monitor and validate the extent to which the agency is achieving results. Measures are now firmly integrated into the agency's Strategic Plan and are also built into new and ongoing project initiatives. This enhanced approach to performance measurement will enable the AGCO to further improve program effectiveness with a new focus on results, service quality and Value for Money. This performance measurement framework will help build the foundation for effective application of data analytics capabilities to evaluate and measure AGCO policies, programs and performance.

3. Strategic Engagement

In its efforts to further its commitment to Strategic Engagement, the AGCO continues to explore formal partnerships with other regulators, monitoring and assessing domestic and international trends in the alcohol and gaming sectors, and coordinating strategic outreach to key partners and stakeholders. The Office of Strategic Engagement continues to develop strategic partnerships and alliances to improve regulatory outcomes and strengthen AGCO's effectiveness as a regulator.

In addition, the number of municipal police services from across the province participating in the Last Drink program has increased to 28. Under this program, Ontario Police Services inform the AGCO about any alcohol-related driving offences where the drivers named a licensed establishment as the last place where they consumed alcohol. This information allows the AGCO to identify educational opportunities to work with licensees to better meet their regulatory obligations.

The AGCO continues to proactively work with multiple government, industry and public interest groups on liquor and gaming matters. This proactive work includes engagement on the latest round of regulatory reforms aimed at the beverage alcohol industry, and the AGCO's Liquor Modernization project has involved strong stakeholder involvement to date. Additionally, the AGCO collaborates with the OLG on the ongoing Responsible Gambling Policy Roundtable that includes the Responsible Gambling Council, the Centre for Addiction and Mental Health and the Gambling Research Exchange Ontario. The AGCO and OLG established the Roundtable to serve as a platform to discuss and evaluate the Registrar's Standards related to responsible gambling and provide a forum to discuss areas of shared interest and recent advancements in responsible gambling.

At the national and international level, the AGCO is furthering partnerships through invited participation at the globally-recognized International Association of Gaming Regulators conference. In addition, the Commission continues to make efforts to collaborate and, in some cases, work jointly with regulatory agencies in other provinces and foreign jurisdictions in order to conduct investigative work, establish and enforce common standards, and develop regulatory responses to new gaming products and emerging risks. Inter-jurisdictional collaboration among gaming regulators is facilitated through the negotiation of bilateral Memorandums of Understanding (MOUs) between regulatory and law enforcement agencies. The AGCO currently has MOUs in place with 30 regulatory and law enforcement agencies around the world.

4. Quality Service Experience

The AGCO is committed to creating a strong service culture that permeates every aspect of its operations. The AGCO continues to ensure that all interactions with, and within the organization are benchmarked and measured against service standards and delivered in a manner that is fair, inclusive and responsive.

The AGCO's Regulatory Assurance Solution (RAS) initiative is a central component of the Strategic Plan commitment to offer modern and streamlined service delivery while also supporting broader government priorities of efficiency and accountability. RAS will replace the information technology systems which currently support the AGCO's regulatory assurance activities while integrating and streamlining AGCO business processes to align with the new information technology solution. During this year, significant progress included bringing a vendor on board and finalizing the requirements for the system. The contract includes a 2 year implementation plan followed by 14 years of ongoing support and maintenance. Another contract, to support business process reengineering, was also signed. The RAS initiative is transformational as it will change processes to help AGCO become more efficient, streamlined and standardized.

5. Rewarding Workplace

Evidence of the AGCO Employer of Choice can be seen across the organization through new initiatives being introduced as well as the enhancement of existing and ongoing initiatives being executed. This is seen through many of the actions identified through the action planning coming out of the 2014 Workforce Engagement survey. The introduction of mentoring and reverse mentoring programs, increased training and development, the expansion of the use of coaching at different levels both for individuals and teams, and new communications and information sharing channels are just a few examples. It is also evident through a general awareness and shift in attitude resulting in new projects, such as the work being done to develop an Employee Value Proposition, as part of the HR strategy as one example. Work on the foundation for the Employer of Choice initiative has been supported by the completion of a generative workshop to develop a vision for the initiative.

Government Initiatives and Priorities

As an agency of the provincial government, the AGCO supports the Ontario government's public policy priorities and fiscal objectives. Over the past year, the AGCO continued to review its priorities to remain consistent with government direction, as well as its operations, to ensure cost-effective service delivery. Examples of government initiatives which have had an impact on AGCO internal operations from strategic, structural and financial perspectives include:

Premier's Advisory Council on Government Assets

In April 2014, the government appointed the Premier's Advisory Council on Government Assets to provide recommendations for maximizing the value of key provincial assets. The principles guiding the council's work were to ensure: the public interest remains paramount and protected; decisions align with maximizing value to Ontarians; and the decision process remains transparent, professional and independently validated.

As part of its review, the council examined Ontario's liquor distribution system including the roles of: the Liquor Control Board of Ontario (LCBO), the Beer Store and off-site winery retail stores.

The Council released its initial report in November 2014 and made several recommendations with respect to the distribution of beverage alcohol. Some of the Council's recommendations included improving transparency at the Beer Store and ensuring a more equitable system for all producers, including craft breweries. For off-site winery retail stores, the Council recommended ensuring Ontarians receive a fair share of profits from the sale of liquor and also proposed exploring the possibility of opening new private stores that offer both Canadian and International wines.

Following the Council's initial findings and report, the government introduced the sale of beer in grocery stores. Sixty locations across Ontario are currently authorized to sell beer, with beer sales commencing in December 2015. Up to 130 grocery stores will be authorized to sell beer by May 1, 2017, and up to 450 stores could eventually be approved to do so. In addition to these changes, the government instructed the Council to move into the second phase of its review, which included consultations with multiple stakeholders.

As a result, the Council released its final recommendations for the wine and spirits sector in February 2016, where it proposed two substantive changes to the existing retail system for wine - sale of wine in grocery stores and the introduction of wine boutiques - as well as several policy changes to support Ontario's beverage alcohol industry.

In its 2016 Spring Budget, the government confirmed that it would accept the recommendations of the Council and directed that several changes, including establishing a new retail channel for wine that is separate from the LCBO and the existing Wine Retail Stores (WRS) network and offering greater convenience and choice to consumers in the off-site WRS channel be implemented.

The province is moving forward with expanding wine sales in grocery stores and wine boutiques. Up to 70 grocery stores across Ontario will be authorized to sell wine and beer together through newly issued authorizations. By 2025, it is expected that up to 150 grocery stores will be authorized to sell wine from Ontario, across Canada and around the world. In addition, up to 70 of the province's off-site WRS outlets now located at grocery stores will have the opportunity to operate their store at a wine boutique inside the grocery space

The government also announced that, in addition to Vintners Quality Alliance (VQA) wine, fruit wine, including cider, would be eligible for sale at Farmers' Markets. Cider and fruit wine will also be eligible for sale in some grocery stores.

The AGCO will continue to be responsible for the authorization and ongoing regulatory oversight of grocery store operators selling beer and wine.

Open For Business

This ongoing government-wide initiative supports economic growth and fosters simpler, better and faster interaction between government and business. It is designed to minimize the burden of regulation on Ontario businesses, foster competitiveness and welcome new business to the province.

Internally, the AGCO continued to work on a number of projects which support the overall goals of this program by reducing administrative burdens and using a regulatory approach to support responsible economic development. The Gaming Modernization initiative and the shift towards a standards-based regulatory framework in the gaming sector, for example, is intended to allow operators and businesses more flexibility to adapt to marketplace changes and ultimately to increase their competitiveness without compromising the AGCO's regulatory work. The achievement of these goals is also enhanced through the AGCO's continued efforts to build strategic partnerships and share information with government ministries and agencies including the Ministry of the Attorney General, Ministry of Finance, OLG and the LCBO.

Among projects undertaken in 2014/15 to support the Open for Business strategy was a six-month pilot to evaluate the Open Ontario Compliance Initiative. This initiative, with a pilot based in London, Ontario focused on collaborative risk-based compliance inspections of businesses – including licenced establishments and registered premises, by provincial, county and municipal regulatory agencies.

The pilot was intended to demonstrate how:

- Municipal and provincial organizations can achieve greater coordination and collaboration
- Risk-based compliance activities can be used effectively; and
- The inspection process might be made less onerous for businesses

As a result of the pilot, the AGCO continued to explore opportunities to build strategic relationships with regulatory agencies across the province and enhance formal communications with other participants in the pilot.

In 2015/16, the AGCO continued work on its Regulatory Modernization in Ontario's Beverage Alcohol Industry which launched in August 2013. The focus was to review the AGCO's approach to the regulation of wine, beer, and spirits manufacturers, manufacturers' representatives, ferment-on-premise operators and liquor delivery services and explore opportunities to modernize the Commission's regulatory approach. Since launching this initiative, several policy reforms have been implemented which were intended to support new investment and innovation, maintain strong protection of the public interest, and respond to shifting economic and social realities. The AGCO continues to work with stakeholders on a number of initiatives in 2016/17 as part of this project (see Liquor Regulatory Framework Reform, page 38).

Ontario's Wine and Grape Strategy

In 2013, as part of Ontario's economic plan, the government announced the renewal of the province's Wine and Grape Strategy. This included, among other programs, a two-year pilot program to allow the sale of VQA wines at Ontario Farmers' Markets. As the body responsible for the administration of the pilot-program, the AGCO worked with industry stakeholders and other government partners to prepare for the launch of the program in May 2014 and ensure that wine sales were conducted in a socially responsible manner. In its 2016 Spring Budget, the government announced the continuation of the Wine Sales at Farmers' Markets program, and the introduction of fruit wine including cider.

OLG Modernization

In March 2012, the OLG outlined its proposal to modernize lottery and gaming in Ontario which included three key priorities:

- Becoming more customer-focused
- Securing qualified service providers for the day-to-day operation of lottery and gaming; and
- Renewing OLG's role in the conduct, management and oversight of lottery and gaming

As the OLG's plan has a significant impact on the AGCO operations, the two organizations continue to work together as implementation of the modernization strategy moves forward.

For example, technological advances continue to drive changes in OLG customer preferences and product offerings, which informed government policy considerations related to provincial delivery of charitable bingo games and new commercial gaming products which are regulated by the AGCO. The OLG has also begun to integrate horse racing into its gaming strategy which will be integrated with AGCO's other regulatory responsibilities beginning April 1, 2016.

Open Government

The Open Government initiative was launched in October 2013 to increase transparency and accountability in: Open Dialogue, Open Data, and Open Information.

The AGCO is continuing to modernize Ontario's liquor regulatory framework as well as the horse racing regulatory framework using an Open Government approach including extensive consultations with stakeholder representatives. As part of the Agency's commitments under the Open Data Directive, 2016, the Agency will publish and continuously update a list of datasets in its custody and control that identifies whether a dataset is currently open, in the process of being opened or exempt from being released as open data due to legal, security, privacy, confidentiality or commercially-sensitive reasons. In the coming year, the Agency will prioritize datasets to be released and commence making the datasets available to the public online under an open-by-default approach.

Transforming Government and Managing Costs: Service Fees and Non-Tax Revenue

As the Auditor General noted in 2009, Ontario's service fees, per capita, are among the lowest in Canada. Ontario is also one of the only jurisdictions in the country that does not regularly review service fees or index them to inflation.

In its 2015 Budget, the government announced that it would move forward with a multi-year strategy of managing fees while balancing end-user needs, which would include regular review and updating, where appropriate, to ensure both the sustainability and quality of public services.

Through these successive initiatives, the government has expressed the need for a funding framework that provides stable funding and recovers the full cost of regulation from the regulated industries themselves.

In the coming year the AGCO will continue its review of its funding structure with respect to fee management to ensure that it is consistent with the overall direction set by government.

Government Oversight and Agency Accountability

Accountability and transparency in the agency sector have been key government priorities over the last several years, with the government taking steps to strengthen its oversight of arm's-length agencies. New and enhanced accountability mechanisms continue to be implemented, including new procurement directives, enhanced agency accountability directives and the disclosure of expenses incurred by Board members and senior executives.

Over the past few years, the government has demonstrated its commitment to improving agency accountability and transparency by introducing several review measures. For example, in 2014 the government announced that the mandates of all classified agencies will be reviewed on a regular basis going forward, and that ministries will be required to undertake ongoing risk assessment evaluations of their agencies. In addition, to ensure that agencies remain aligned with the needs and expectations of Ontarians and the government, Chairs or CEOs of all agencies are now required to annually attest that their organizations are in full compliance with all government directives.

More recently, in its 2016 Spring Budget, the government announced that it will be taking further steps to improve agency accountability and transparency, including introducing "mandate letters" for every board-governed provincial agency and making those mandate letters publicly available. Also, effective this year, the Integrity Commissioner has been provided with expanded authority to review the expenses of designated persons at all provincial agencies, which are also required to be posted publicly on agencies' websites.

The AGCO has been subject to review and audit by government to ensure funds are spent wisely and taxpayers are receiving value for money. For instance, the AGCO underwent a value for money audit by the Auditor General on casino gaming regulation in 2010, and a follow-up audit in 2012, the results of which are included in the Auditor General's 2012 Annual Report. In 2014/15, the AGCO was subject to an audit by the Ministry of the Attorney General (MAG), to whom the AGCO reports. The focus of the review was AGCO Board governance, project management and AGCO's internal audit activities. Work by MAG auditors commenced in late October 2014 and a final report was received in June 2015. The Ministry made seven recommendations in total, and the AGCO has since taken steps to address and implement each of the recommendations. In 2016/17, the AGCO will continue working to implement the Ministry's recommendations while taking into account the impacts of merging with the ORC, particularly as it relates to Board governance.

Performance Measures

TABLE 1 AGCO PERFORMANCE MEASURES 2015/16

Strategic Goal Supported	Performance Measure	Five Year Planning Cycle Target	Results 2015-16
Modern Regulator	Percentage of compliance matters resolved through the LOI process without a request for hearing.	Maintain the ratio of compliance matters resolved through LOI process without request for hearing at an average of 90%.	**89%**
	Percentage of high-risk infractions following transition to a compliance-based operating model.	Maintain an average 30% decrease in infractions compared to benchmark data.	**57% decrease**
Value for Money	Average gaming and liquor application turnaround time.	Average turnaround time meets or is lower than AGCO Standard (30 days) 90% of the time.	**Liquor: 32 days** **Gaming: 13 days**
	Average electronic gaming lab testing turnaround time.	Average turnaround time meets or is better than comparable jurisdictions (New Jersey = 53 days, Michigan = 52 days, and Nevada = 35 days) 90% of the time.	**34 days**
Strategic Engagement	Percentage of stakeholders indicating a high level of engagement following AGCO consultations using a Stakeholder Engagement Plan.	Percentage stakeholders reported feeling engaged/highly engaged during stakeholder consultations averages 80%.	**86%**
	Number of national and international committees and working groups with AGCO representation.	Increase AGCO participation by 5%.	**Increased number of committees and working groups with AGCO participation from 6 to 18**
Quality Service Experience	Percentage of gaming suppliers indicating very good/excellent level of service provided by AGCO testing and lab services.	Increase percentage of gaming suppliers indicating very good/ excellent level of service to 75%.	**60%**
	Percentage of gaming operators indicating very good/excellent level of satisfaction with AGCO testing and lab services.	Increase percentage of gaming operators indicating very good/ excellent level of service to 75%.	**100%**
	Percentage of stakeholders indicating AGCO Education, Training and Awareness session increased their awareness of Ontario's Liquor Laws.	Percentage of stakeholders indicating session increased their knowledge averages 89%.	**94%**
Rewarding Workplace	Retention rate of permanent, full-time AGCO employees.	Increase employee retention rate to 95%.	**94%**
	Time to Fill Vacancies (Weeks).	Average time to fill vacancies meets or is better than AGCO internal target (9 weeks).	**8 weeks**
	Number of Training Hours Per Employee.	Average number of training hours taken per employee meets or exceeds AGCO target (15.75 hours)	**16 hours**

Internal Operations and Fiscal Environment

The AGCO's internal operating environment continued to evolve due to various factors, including demographic shifts affecting the agency's workforce, new and streamlined service delivery methods, and the implementation of the agency's Strategic Plan, all within the context of the AGCO's expanding regulatory mandate. In order to effectively address the challenges and opportunities the AGCO continued to proactively monitor and anticipate environmental changes in both its external and internal operating environment.

Marketplace evolution within the liquor and gaming sectors, along with government initiatives and legal and regulatory reforms, have continued to expand the AGCO's regulatory authority, including the merger of ORC regulatory functions effective April 1, 2016 and the regulation of beer sales in grocery stores. To help manage the operational and financial pressures related to this expanded mandate, the AGCO continues to implement its long-term direction through its Strategic Plan. This Plan is accompanied by an enhanced business planning process and integrated performance measurement approach to ensure current and future initiatives support the agency's five Strategic Goals (see page 18) and better position the AGCO to respond to expanded responsibilities in both the liquor and gaming sectors. This year, the process integrated Ontario Racing Commission (ORC) planning outputs and major initiatives into the AGCO planning approach.

The AGCO has also been proactively implementing changes to improve efficiencies in its operations, demonstrating its commitment to Value for Money. Recent initiatives include implementation of an Enterprise Risk Management framework, numerous program audits to improve efficiencies, and a long-term information technology strategy. Additionally, the AGCO's shift to risk-based regulatory approaches has ensured agency resources are allocated with greater emphasis on effectiveness and efficiency.

Service expectations have also changed in recent years and will continue to challenge the AGCO's capacity to respond in timely and effective ways. In response, the AGCO must offer a Quality Service Experience by making effective use of new technology to enhance and streamline delivery approaches and channels that are sensitive to stakeholder needs and expectations. Investments in technology will be made through the Regulatory Assurance Solution initiative, enabling electronic service delivery so that stakeholders can more easily provide information to and receive information from the AGCO.

Operating Budget – 2015/16 Fiscal Year Revenues and Expenditures

As a regulatory agency with a governing board reporting to the Ministry of the Attorney General, the AGCO receives its annual spending authority from the Ministry's printed estimates, as approved by the Legislature. The AGCO is funded from a combination of revenue remitted to the Consolidated Revenue Fund and recoveries.

In 2015/16, the government imposed a $1,305,800 budget constraint on the AGCO. Despite this, the AGCO was able to manage costs while continuing to expand its mandate with the regulation of beer sales in grocery stores and the soft merger with the ORC. Increases to the AGCO's spending authority of $224,100 and $1,001,700 respectively were provided for these mandates. In November 2015, the AGCO introduced two new authorization fees allowing grocers to sell beer in their stores as announced by the government in the 2015 budget.

TABLE 2 2015/16 FISCAL YEAR REVENUES AND EXPENDITURES

Revenues	2014/15	2015/16
Fees and Levies [1]	$25,360,505	$25,033,772
	$25,360,505	**$25,033,772**
Expenditures		
Salaries and Benefits [2]	$61,149,132	$63,337,273
Other Direct Operating Expenses [3]	$11,587,114	$10,643,676
Total Program Expenditures	$72,736,246	**$73,980,949**
Less Recoveries [4]	($43,267,124)	($43,578,154)
	$29,469,122	**$30,402,795**

(1) Fees and Levies include 60 authorizations to sell beer in grocery stores and 31 bingo halls converted to OLG eGaming which no longer require a charitable gaming licence.

(2) Salaries and Benefits include additional employees to support the regulation of beer sales in grocery stores and the soft merger with the ORC.

(3) Other Direct Operating Expenses include gaming eligibility assessment costs, ORC soft merger expenses and one-time iGaming expenditures needed to support ongoing gaming modernization activities, which are recoverable.

(4) Recoveries include gaming eligibility assessments from external suppliers as well as the registration and regulation of casinos and slot machine facilities, OLG lotteries, iGaming, and other gaming modernization initiatives paid for by the OLG.

Corporate Activities and Programs

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Information Technology

The Information Technology (IT) Department ensures that each system, application and service helps the AGCO to not only operate but improve the way the organization conducts day-to-day business, and plans for future opportunities. IT works closely with all departments to provide leading-edge innovations and solutions to help the organization achieve its strategic goals.

The Information Security Office works in conjunction with IT to safeguard the confidentiality, integrity and availability of AGCO's internal information through the development of information security policies, processes and procedures and identifying and managing Information Security Risks.

Some of the most recent initiatives from Information Technology and Information Security include:

- Providing an innovative solution of an online notification system, allowing efficient and timely notification of iGaming issues, and Threat Risk Assessments and implementation of security controls
- The AGCO Corporate File Room was decommissioned and approximately 40,000 licensee & registrant Master Files were transferred off-site – either to a service provider for interim storage & retrieval/digitization, or to the Government of Ontario's Information Storage & Retrieval Centre for retention. This was a key milestone in the AGCO's adoption of electronic recordkeeping and modernization of its Records & Information Management program; and
- The Freedom of Information (FOI) Central solution automated our processing for the majority of FOI Requests, eliminating paper usage and creating efficiencies by reducing manual processes for redacting and indexing and automating approvals workflow. This solution also enables improving data quality and availability for management reporting

Other Initiatives include:

- Implementation of new server hardware to support RAS Implementation of New 3PAR SAN Infrastructure; and
- Implementation of Regulatory Intelligence Infrastructure to support business analytics

Corporate Communications

Effective and timely communications to stakeholders including licensees, registrants, the public, and staff are crucial to fulfilling the Commission's mandate in the regulation of the alcohol, gaming and horse racing sectors.

The implementation of the new Corporate Communications Plan in 2015/16 helped support the objectives and five priorities of the Strategic Plan. The Communications Plan considers both external and internal corporate activities, taking into account issues management, media relations and various engagement strategies, while encouraging a high degree of consultation and cooperation with all key stakeholders.

The AGCO continues to employ a variety of tools and tactics to achieve its communications goals. Externally, the public website provides 24/7 access to information, resources, and application forms and is now supported by efforts to promote these services through social media. New technologies such as live webcasts have provided greater opportunities for direct two-way communication with stakeholders affected by various policy changes and developments.

Issues Management and Media Relations

An integral part of the AGCO's communications strategy and issues management process is to identify potentially contentious issues as early as possible and address them in a timely and proactive manner. This allows the Commission to respond to inquiries and provide accurate, timely and factual information to the Ministry of the Attorney General, the Board of Directors and the CEO, as well as staff, stakeholders, the media and the public as appropriate.

The media relations strategy is designed to communicate with media organizations in a clear and timely fashion to inform and educate the public, licensees, registrants and other stakeholders about the Commission's responsibilities and activities. Key activities in this area include responding to requests for interviews or information related to relevant legislation, regulations and policy and communicating proactively with media with regard to orders by the Registrar. In 2015/16, we responded to 126 media inquiries from news outlets of every size.

Website

The public website (www.agco.on.ca) is a key tool for communicating with stakeholders and the general public about liquor, gaming and starting in 2016, horse racing laws, regulations and policies that the AGCO administers. Users of the site have access to all pertinent legislation and information on related changes, registration and licensing application forms, guides, educational publications, annual reports and newsletters. The site is in the process of being upgraded and will ultimately serve as the platform for electronic service delivery of AGCO services including application forms and publications, which will further improve the user experience.

In 2015/16 there were 494,653 visits to the website, an increase of more than 23,000 visits from the year before.

Internal Communications

The AGCO continues to enhance its internal communications with its more than 550 employees in over thirty local offices and gaming sites across Ontario. In 2016 a project was completed to upgrade and redesign the employee intranet in response to employee surveys and to take advantage of new technologies for enabling two-way communication at all levels. The new site is scheduled to launch early in the next fiscal year and will feature a mobile-friendly responsive design, a more engaging visual layout and increased opportunities for sharing employee-generated content and updates. Regular all-staff Town Hall meetings, managers' forums, information sessions, lunch and learn events, divisional and branch meetings, and internal newsletters also continue to be used regularly to communicate with staff throughout the year.

Newsletters, Bulletins and Notices

The AGCO regularly publishes materials to provide licensing/registration, educational and compliance information to stakeholders and the public.

Licence Line is a newsletter for liquor sales licensees published at least four times per year. Covering a variety of issues important to licensees, Licence Line focuses on providing information on recent changes to liquor legislation and regulations and is an important source of industry news and tips for stakeholders.

Lottery Line is a newsletter for lottery retailers and lottery retailer managers and is issued at least three times per year. It provides information and tips to educate lottery retailers on the laws and regulations governing the sale of Ontario Lottery and Gaming Corporation (OLG) lottery products and break open tickets.

The AGCO issues Information Bulletins which target liquor and gaming stakeholders affected by decisions of the Registrar and/or by changes to the regulatory frameworks governing these two industries. A variety of channels are used to distribute Bulletins including the website and social media.

The AGCO also publishes Liquor Enforcement in Ontario: A Guide for Police Officers, which is distributed to front-line police officers to help them understand their role in liquor enforcement and how they can work cooperatively to reduce alcohol-related harm in their communities.

Environmental Initiatives

The AGCO supports a culture of environmental responsibility through the work of the staff-driven Eco Committee. The Committee models its activities on the Ontario Public Service Green Transformation Strategy and it aims to reduce the AGCO's environmental impact by embedding ecologically-responsible thinking and actions into the day-to-day culture and work of the Commission.

In 2015/16, the Committee hosted a number of successful events for staff in support of environment-themed initiatives including Earth Day and Waste Reduction week, working in consultation with members of the OPS Green office. The Committee also distributes a regular electronic-only newsletter dedicated to environmental issues, and promotes ongoing programs focused on raising awareness and reducing waste, paper use, and carbon footprint.

Education, Training and Awareness Initiatives for Licensees and Registrants

The Education, Training and Awareness (ETA) program at the AGCO is responsible for coordinating initiatives aimed at helping licensees and registrants comply with the laws and regulations administered by the Commission. For the past eight years, AGCO staff have contributed to the education and training of licensees through information sessions, seminars, presentations, trade shows, newsletter articles and the development of information materials.

In 2016/17, the AGCO will begin to implement a new ETA strategy to refresh, enhance and reinforce the AGCO's approach to education across all our lines of business. The objectives of the ETA strategy are to ensure that existing and new initiatives are anchored in AGCO priorities, benefit from internal coordination, and support improved regulatory compliance and outcomes. One of the core elements of the strategy is to conduct a comprehensive gap and needs analysis to identify potential options, opportunities and priorities from an educational perspective moving forward.

Once complete, the expectation is that new programs will be identified to support stakeholder education and understanding of the laws that apply to them. Funding for these new programs, in whole or in part, may come by leveraging monies generated through the assessment of Orders of Monetary Penalty, or OMPs. By virtue of the *Alcohol and Gaming Regulation and Public Protection Act, 1996,* money received from monetary penalties and from penalties collected pursuant to contraventions of the Rules of Racing made under the *Horse Racing Licence Act, 2015* must be directed by the AGCO towards either awareness programs for the general public or education and training programs. In February 2016, the AGCO Board approved a new policy and framework for the approval and expenditure of monies collected through the assessment of OMPs. Moving forward, the AGCO will begin using OMP funds to create and advance AGCO-developed programs, as well as to consider funding requests from external stakeholder organizations for educational initiatives which support our overall ETA program objectives.

Customer Service

The AGCO Customer Service department strives to provide the public with a "one-stop shopping" approach. During 2015/16, the department responded to a total of 155,657 customer contacts, providing help and guidance on licensing and registration issues, including inquiries and complaints for all AGCO business areas. This included:

- 102,562 customer contacts received via telephone
- 17,181 walk-in customers at the head office Customer Service Desk
- 26,821 customers who received information via AGCO's automated voice messaging system; and
- 9,093 email inquiries

Human Resources

The AGCO continues to implement programs to support its 'Rewarding Workplace' Strategic Goal while allocating resources to efficiently meet business requirements delivered through its operations. The AGCO recognizes that capable and motivated employees are critical to achieving its business goals and to increasing its capacity to better deliver services, ensuring an environment where:

- Employees understand and believe their contributions are valued
- There is opportunity for career development and growth at the AGCO; and
- The AGCO is committed to continuing to train and develop staff and leaders

Development Opportunities at the AGCO

Secondment and development opportunities are provided to staff and management as part of the AGCO's recruitment, retention, and staff development strategy. During the 2015/16 fiscal year, the AGCO provided 25 secondment opportunities to employees in addition to 33 promotions. As well, 50% of the positions filled in the fiscal year were filled by internal candidates, which demonstrate our commitment to providing developmental opportunities to current employees.

All AGCO staff members undergo a Performance Development Review on an annual basis to reflect on the achievements of the previous year, plan for the next year and to identify learning and development needs along with their career goals and aspirations. The AGCO has also created a "Career Planning" page on the intranet that provides employees with access to a Career Planning Guide as well as tools and resources to assist staff with preparing a Career Action Plan.

Employee Wellness

The AGCO continues to explore programs which recognize the importance of employee wellness in achieving a positive work environment. The AGCO provides training and educational seminars focused on wellness topics and also prepares and distributes to staff a monthly newsletter that highlights a variety of wellness matters. In addition, an annual Wellness Fair is held to recognize Healthy Workplace Month. The AGCO has also conducted several compressed work week pilots in an effort to support a healthy work/life balance. AGCO staff has organized a "Walking Club" that walks the neighbourhood surrounding head office twice a week, all year round.

In addition, the Staff Engagement, Wellness and Diversity Committee works on initiatives that support the health and well-being of employees. This year's initiatives included the Lions' Lair innovation award and the implementation of the multi-year Diversity Plan.

The "Winning Spirit" recognition program, which was launched in February 2015, continues to thrive with 283 individuals recognized during the year.

Training and Development

The AGCO is experiencing significant transformation that requires strong leadership and change-management skills. Our organization continues to invest in management by focusing on leadership development and coaching programs in order to build leadership capacity. To that end, the "Coaching and You" program is being prioritized with the intent to instill a "coaching culture" at all levels of the organization. The program aims to ensure all employees understand the coaching culture and are engaged and involved in coaching at some level.

The AGCO's continued commitment to enhancing leadership at all levels has also included the introduction of "Skip Level Meetings". The focus is on constructing and fostering a strong rapport at each level, opening lines of communication and enhancing overall business agility by demonstrating a commitment to learning and development and investing in training programs in the areas of management and leadership development, business skills and wellness and personal growth.

Human Resources Strategy

A "Needs and Gaps" analysis was conducted across all areas of the talent management spectrum and priorities have been identified as a primary focus in this fiscal year to make improvements in the areas such as talent acquisition, learning and development, diversity and strategic workforce planning.

The AGCO is also developing an "Employee Value Proposition" to articulate the benefits of working at the AGCO to current staff as well as those who are considering employment with the agency. Human Resources is also a key resource to the Employer of Choice Initiative. The AGCO is striving to present itself an "Employer of Choice" for potential candidates. The demographic profile of the workforce is shrinking due to retirements of the baby boomers resulting in a very competitive workforce requiring the AGCO to be seen as a desirable place to work.

The AGCO continues to refine the workforce metrics and performance measures that have been developed to measure effectiveness in areas of recruitment efficiency, investment in training, and turnover rates. A quarterly and annual report is provided to the C-Suite and the Board to report on the measures.

In early 2014, the AGCO launched the Evolve Job Shadowing program. The program provides employees with an opportunity to shadow another employee to learn about other jobs in the AGCO for career development purposes or to improve understanding for their current job. In 2015/16, 47 job shadowing experiences were completed.

Effectively addressing all of the challenges that lie ahead means the AGCO needs to recruit individuals with the right technical and professional skills to continue to effectively regulate both new and existing lines of business. To meet these challenges, the AGCO continues to work on initiatives that will strengthen its position as an employer of choice and develop robust recruitment and succession strategies to attract and retain the high quality staff and expertise necessary to effectively carry out its mandate.

Workforce and Labour Relations

The AGCO continues to work closely with OPSEU Local 565 five times per year, through the Joint Consultation Committee, on matters of mutual interest.

Diversity and Inclusion

Created in 2008, the Ontario Public Service's Diversity Office is responsible for leading the government's strategy to create a more diverse, accessible and inclusive Ontario Public Service (OPS). The aim of the government's strategy is to build diversity into all OPS policies, programs and services, to build a healthy workplace free from harassment and discrimination, to reflect the public we serve at all levels of the OPS workforce and to respond to the needs of a diverse Ontario population. The AGCO has developed a comprehensive Diversity and Inclusion Plan and continues to explore ways to build diversity and inclusion into its operations and activities in the coming years.

The AGCO focused on four key elements in developing its Diversity and Inclusion Plan: People, Processes, Services and Results, with each aspect playing an integral role in the overall program. "People" refers to the investment made in the continuous learning of staff and management to build their cultural competencies and responsiveness. "Processes" focuses on examining organizational processes, policies and practices for barriers that prevent full participation in all aspects of society, including physical barriers, communications barriers, attitudinal barriers, economic barriers and technological barriers. The "Services" component speaks to improving current service delivery to better ensure inclusiveness, fairness and responsiveness. Finally, "Results" is about what will actually be measured and reported in terms of progress year after year.

Accessibility for Ontarians with Disabilities Act, 2005

The *Accessibility for Ontarians with Disabilities Act, 2005 (AODA)* was created with the goal of developing standards that would improve accessibility for people with disabilities across the province. To date, accessibility standards have been developed in the areas of customer service, employment, information and communications, transportation, and the built environment.

In 2013, the AGCO published its multi-year Accessibility Plan and Policies, which was developed in accordance with the Integrated Accessibility Standards Regulation (IASR) under the AODA. It outlines the AGCO's commitment and strategy to prevent and remove barriers, improve opportunities for people with disabilities, and address the current and future requirements of the AODA. The plan serves as a framework for how the AGCO will implement its policies and continue to educate and engage its employees in identifying, preventing and removing barriers to aid the organization to better serve the public, and refine its policies and practices with respect to accessibility.

Since the initial publication of the AGCO's Accessibility Plan and Policies, the AGCO has implemented many of the requirements outlined in the plan and participated in various activities to gain further insight and inform its plan and policies. For example, the AGCO reviewed and updated a number of its practices, most notably in the areas of training, information and communication and employment. This included training all AGCO employees on the requirements of Ontario's accessibility laws including the IASR and the Ontario Human Rights Code as it pertains to persons with disabilities. This accessibility training has now been built in to the employee orientation process to ensure that all new AGCO employees have the necessary skills and resources to effectively perform their duties and provide services to the AGCO's diverse stakeholders.

In 2014, the AGCO was the subject of a file review by the Accessibility Directorate of Ontario (ADO) to confirm the AGCO's compliance with the AODA and its standards. The review was conducted under the authority of sections 16 and 17 of the AODA and focused on AGCO's compliance with the IASR in the areas of: procurement; training; accessible feedback processes; and recruitment, assessment and selection processes. The ADO concluded that it was satisfied that the AGCO meets its obligations under the IASR, and that the AGCO has effective accessibility policies and plans in place to continue to successfully address the requirements under the AODA and its standards. The ADO made one recommendation with respect to the AGCO's multi-year accessibility plan which the AGCO has implemented.

The AGCO has met all requirements under the AODA and the IASR to date and will continue to work on refining its accessibility plan with a focus on ensuring that its policies and practices continue to ensure that information continues to be accessible and meets the needs of all stakeholders, including persons with disabilities.

Regulating the Alcohol Gaming Sectors

REGULATION OF THE ALCOHOL SECTOR .....

REGULATION OF THE GAMING SECTOR .....

Regulation of the Alcohol Sector

Liquor Regulatory Framework Reform

Over the past several years, the government and the AGCO have taken a series of important steps to modernize the regulation of Ontario's beverage alcohol industry, to promote responsible economic development, improve service delivery, enhance consumer choice and strengthen social responsibility. To support the government's modernization agenda, and the ongoing work of the Premier's Advisory Council on Government Assets in 2015/16 the AGCO further reviewed its policies and practices to reduce administrative burdens and minimize unnecessary barriers to responsible economic growth.

As part of the ongoing Regulatory Modernization in Ontario's Beverage Alcohol Industry initiative, the Registrar approved a series of policy reforms in 2015/16 including:

- Changes to the list of products other than beverage alcohol that may be sold at an on-site manufacturer retail store
- The elimination of the minimum still requirement for an on-site distillery retail store; and
- The elimination of local grape content requirements for wineries located outside of designated viticultural areas

These reforms stemmed from extensive stakeholder consultations in which affected parties had the opportunity to be heard, but also to take an active role in the policy development process.

VQA Wine Sales at Farmers' Markets

Since the May 2014 launch of the VQA Wine Sales at Farmers' Markets, the AGCO has taken an active approach to ensure participants understand their regulatory obligations. Over the course of three weeks in April 2015, a cross-functional group of AGCO officials planned and delivered a series of educational sessions on the VQA Wine Sales at Farmers' Markets Program. These sessions included three in-person seminars for representatives of Ontario's licensed wine manufacturers. They were held in each of the province's three Designated Viticultural Areas (DVAs) – Niagara Region, Prince Edward County, and Lake Erie North Shore. In addition, the AGCO hosted a province-wide webinar for representatives of Farmers' Markets, municipalities, public health units, and licensed wine manufacturers. The purpose of the sessions was to boost awareness about program parameters to support regulatory compliance among affected stakeholder communities.

As of March 31, 2016 there were 84 wineries selling their VQA wine at 215 Ontario Farmers' Markets. Looking ahead, the AGCO will continue to administer the pilot program as it expands to include fruit wines, including cider, across the province. (See Ontario's Wine and Grape Strategy, page 24.)

Regulation of the Gaming Sector

The AGCO continues to modernize its regulatory approach, to the regulation of Ontario's gaming sector by moving towards a more standards-based (or outcomes-based) approach. The shift towards standards is intended to allow operators and businesses more operational flexibility, to adjust and adapt control activities as situations change and to better respond to the market and environmental conditions. In return for greater flexibility, however, the AGCO expects gaming providers to establish a strong proactive operational compliance culture, which includes ongoing monitoring of performance against controls and transparent reporting to the AGCO.

In addition to the move towards standards, the next year will also continue to focus on supporting the OLG's modernization process, which will result in an increased role for the private sector in casino operations.

Standards-Based Regulation

Under the *Gaming Control Act, 1992*, the Registrar of Alcohol and Gaming is authorized to establish risk-based standards to regulate Ontario's gaming sector. The objective of a standards-based regulatory model is to shift the focus from requiring registrants to comply with a specific set of rules or processes, which tend to be prescriptive in nature, towards the broader regulatory outcomes or objectives they are expected to achieve. These regulatory outcomes are reflected in the Registrar's Standards for Gaming (the latest version being those established and issued in September 2015).

Throughout 2015/16, the AGCO continued to phase in the Registrar's Standards to the various lines of business in the gaming sector. The AGCO has worked with stakeholders in each of these sectors to coordinate an appropriate and practical implementation plan. At present, the Registrar's Standards apply to OLG conducted and managed charitable gaming (or cGaming) sites, internet gaming and to select casinos in the province. Ultimately, the objective is to have the Registrar's Standards apply across the entire commercial gaming industry as well as to OLG lotteries by April 2017.

Development of standards specific to the lottery sector continued and were finalized in August 2015. Work has begun with OLG to develop an approach to implementing the Standards in the Lottery sector.

The AGCO will continue to ensure that the standards-based approach reflects industry best practices and consider stakeholder input. As part of this, the AGCO has established the Standards Interpretation Protocol, which acts as a single point of contact for the gaming industry to manage inquiries pertaining to the interpretation of the standards. In order to promote transparency and a better understanding of standards amongst registrants, applicable interpretations are posted on the AGCO's website.

OLG Casinos and Slot Machine Facilities

The AGCO continued to support the OLG Modernization Plan, including the increased role for private sector entities in the operation of land-based casinos. The AGCO continued to perform complex eligibility assessments on private sector entities seeking to enter gaming in Ontario as the OLG moved forward with the procurement and selection of private operators for eight designated gaming bundles. The first gaming bundle transitioned to a private operator in January 2016. From the outset, this gaming site has been operating under the Registrar's Standards.

Existing casino operators and the OLG continue to transition to the Registrar's Standards as part of the ongoing modernization of the regulatory framework for casino gaming. Internally at the AGCO, development of an integrated regulatory assurance framework continued, accompanied by the alignment of internal business processes, to ensure that gaming facilities continue to operate with honesty and integrity, and that crown assets are protected.

Following the initial phase of Casino Standards Implementation (CSI) the Gaming Modernization Branch conducted a "lessons learned" review and evaluation. These lessons learned have played an important role in improving the AGCO's approach to the remaining phases of the standards-based approach across the casino gaming sector in Ontario.

The AGCO continues to work closely with casinos, with an additional 21 casinos and slot facilities expected to implement the standards-based approach in 2016/17.

Internet Gaming (iGaming)

The AGCO continues to refine and adapt its regulatory approach to iGaming to ensure integrity of the product while allowing appropriate business flexibility. This includes the application of a risk-based approach to its eligibility assessment and registration process; technical assessment and approval of updates to the iGaming solution and new games; and the conduct of regulatory assurance to assess compliance with the Registrar's Standards for Gaming. As part of its regulatory assurance activities, the AGCO conducts audits, compliance monitoring and reviews, technical monitoring of the iGaming platform and investigations of suspicious behaviour within the province's PlayOLG.ca gaming site. Over the next year, the AGCO will continue to advance its data analytics capabilities to leverage and analyze large and disparate data sources to develop a better understanding of trends, patterns and relationships, and predict future outcomes in order to effectively target regulatory oversight.

cGaming

The OLG, in collaboration with the Ontario Charitable Gaming Association and the Commercial Gaming Association of Ontario, embarked on a multi-year initiative to revitalize bingo in the province by introducing electronic products into existing and future facilities. These products currently include electronic bingo, Play on Demand games (POD), electronic Break Open Ticket dispensers (TapTix), and Turbo Challenge.

Over the past year, the AGCO has continued to work with the OLG and industry partners to facilitate the introduction of electronic games conducted and managed by OLG in cGaming centres. New progressive and multi-price features were added to the TapTix gaming products. There are a total of 31 cGaming centres that are now regulated under the Registrar's Standards for Gaming.

Charitable Gaming

In addition to cGaming operated by the OLG, traditional paper-based bingo events conducted and managed by licensed charitable organizations continue to operate in Ontario. Charitable gaming revenues, including those which come from traditional bingos, are an essential source of funding for a large number of not-for-profit organizations. The AGCO continues to support the charitable gaming industry by enhancing fundraising opportunities for charities and providing suppliers with opportunities for business growth through modernization initiatives such as the bingo revenue model and changes to the break open ticket regulatory framework as well as its work with the Charitable Gaming Strategic Working Group and Mega Raffle Working Group.

Changes to the *Criminal Code*

In 2014, the Government of Canada amended the *Criminal Code of Canada*, adding subsection (4.1) to s. 207, allowing for the use of a computer for the sale of a ticket, selection of a winner, or the distribution of a prize in a licenced charity raffle, including a 50/50 draw.

Since then, the AGCO has begun work to develop a regulatory framework for Ontario that will licence eligible organizations to conduct and manage electronic charitable raffles, including electronic 50/50 draws. Once complete, charities licensed under this new framework will be able to use computers in the sale of raffle tickets, selection of raffle winners, and distribution of raffle prizes within the parameters of that framework.

As with other recent areas of work, the AGCO is committed to developing this framework through its modern regulatory approach, one that is risk and outcomes-based and compliance focused.

The AGCO's regulatory framework for electronic raffles in Ontario will be developed through 2016-2017. The AGCO will be conducting extensive stakeholder consultations with charitable organizations, municipal and First Nations partners, electronic gaming manufacturers and suppliers and the responsible gambling community throughout the development process.

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Licensing and Registration

Liquor Licensing

The *Liquor Licence Act, 1990* and its Regulations provide the Registrar with the authority for regulating and licensing the following: liquor sales licences, ferment-on-premise facility licences, liquor delivery service licences, manufacturer's licences and manufacturer's representative licences.

The AGCO is also responsible for overseeing the administration of Special Occasion Permits (SOPs). The Liquor Control Board of Ontario which is responsible for the retail sale of beverage alcohol, also issues SOPs on behalf of the AGCO. SOPs are required for occasional private events such as weddings and receptions or public events, such as community festivals, where beverage alcohol will be served and/or sold to the public.

TABLE 3 TOTAL NUMBER OF LIQUOR LICENCES AND SPECIAL OCCASION PERMITS

	2014/15	2015/16
Liquor Sales Licensed Establishments	17,225	17,431
Ferment-on-Premise Facilities	551	538
Liquor Delivery Services	269	295
Manufacturers	414	482
Manufacturers' Representatives	859	855
	19,338	**19,601**
Special Occasion Permits issued	60,775	62,472

Gaming Registrations

Gaming registrations must be obtained by any person or business wishing to:

- Provide goods or services to charitable or religious organizations to assist with the conduct and management of their licensed lottery event, or any business that manufactures bingo paper or break open tickets
- Sell lottery products on behalf of OLG, or provide goods or services to OLG related to lottery products; or
- Provide goods or services to, or work for a casino, slot machine facility, or charitable gaming site

In reviewing applications for registration, an eligibility assessment is carried out by the Registrar concerning the character, integrity, financial responsibility and competence of those persons or businesses and their suitability for registration.

Table 4 below indicates the number of registrations issued by the AGCO by category from 2014/15 to March 31, 2016, under the new corresponding registration classes.

TABLE 4 NUMBER OF GAMING REGISTRATIONS ISSUED

Registration Class	Line of Business	2014/15	2015/16
Operators	Commercial Sector	28	32
	Charitable Sector	72	71
Sellers	Charitable Sector *	224	192
	OLG Lottery Sector	9,215	9,731
Gaming-Related Suppliers	Commercial Sector	54	52
	Charitable Sector	64	64
	OLG Lottery Sector	29	16
Non-Gaming-Related Suppliers	Commercial Sector	292	289
Trade Unions	Commercial Sector	16	18
Category 1 Gaming Assistants	Commercial Sector	2,640	2,679
	Charitable Sector	574	535
	OLG Lottery Sector	1,852	1,862
Category 2 Gaming Assistants	Commercial Sector	11,026	11,030
	Charitable Sector	2,143	1,852
		28,235	**28,423**

* This figure represents the number of sites that only sell charitable break open tickets (no OLG lottery products). It does not include the total number of sites that currently sell break open tickets. All registrants who are Sellers may sell break open tickets in addition to OLG lottery products.

Charitable Gaming Licences

The AGCO oversees the licensing of lottery events conducted and managed by charitable organizations, including bingo, raffles and the sale of break open tickets. The agency also issues registrations to individuals or businesses that wish to provide goods or services to the charitable gaming sector, and carries out inspection and compliance assurance activities to ensure that charitable gaming licensees and registrants are operating in accordance with the law and in the public interest.

The issuance of charitable lottery licences continues to be a two-tiered approach, with the AGCO and local municipalities both having a role in this program.

The AGCO is the licensing authority for:

- Charitable gaming events in pooling bingo halls
- Bingo events with prize boards over $5,500
- Super jackpot bingo events
- Progressive bingo game events and loonie progressive games
- Social gaming events (i.e. table game event held in conjunction with a social event)
- Raffle lotteries for total prizes over $50,000
- Break open tickets sold by organizations with a provincial mandate
- Lotteries held in conjunction with another gaming event, including break open tickets at bingo events
- All lottery schemes conducted in unorganized territories; and
- Lottery schemes at designated fairs or exhibitions

Municipalities issue charitable lottery licences for the following:

- Bingo events with prize boards up to $5,500
- Media bingo events with prizes up to $5,500
- Break open tickets for local organizations
- Raffle lotteries for total prizes of $50,000 and under; and
- Bazaar lotteries which include wheels of fortune with a maximum bet of $2, raffles not exceeding $500, and bingo events up to $500

A municipality may attach terms and conditions to a licence, in addition to those established by the province, provided that they do not conflict with provincial terms and conditions or policies.

Overall, the charitable gaming industry was generally stable from 2014/15 to 2015/16. Some changes in the chart below reflect the changes brought about by the shift from AGCO licencing to the OLG's 'manage and conduct' program at cGaming sites, part of OLG's wider revitalization program.

TABLE 5 LOTTERY LICENCES ISSUED

	2014/15	2015/16
Bingo	137	129
Charitable Gaming (Bingo Hall)	3,723	2,813
Break Open Ticket (BOT) *	48	50
Raffle	207	185
Social Gaming Events	24	22
Other	6	6
	4,143	**3,205**

* The Break Open Ticket Modernization Initiative, implemented on July 1, 2010, included the extension of licence periods, which equates to fewer licences issued throughout the year.

Electronic Gaming Equipment and System Approvals

Technical and Laboratory Services (T&LS) Branch

Ontario's public confidence in gaming is largely based upon the integrity and fairness of the games and gaming systems in play. The team in T&LS branch takes great pride in fulfilling their mandate to provide expert technical assessments, services and approvals to support the regulation of gaming technology in accordance with the principles of integrity and public interest. T&LS achieves this through many activities: by continually innovating to stay abreast of rapidly advancing technology and game designs; developing and maintaining the Registrar's Technical Standards; performing technical assessments of games and gaming systems against these technical standards; approving games and gaming systems based upon the results of the assessments; and acting as a Centre of Technical Excellence by offering our technical expertise in support of other AGCO branches and departments.

The games and technology that T&LS assesses and approves are played throughout the province in all gaming sectors regulated by the AGCO: casino gaming, charitable/raffle gaming, lotteries and internet gaming.

Gaming Laboratory

The AGCO Gaming Laboratory (the "Gaming Lab") is composed of a team of highly qualified and experienced experts in an in-house lab that is equipped with the same gaming systems used in gaming sites in Ontario, and is equipped with state-of-the-art test equipment that allows the team to thoroughly analyze and examine all aspects of the gaming systems.

Assessing gaming systems involves many diverse and complex activities, such as reviewing system architectures and game designs to identify areas of technical and regulatory risk; assessing the impact of game designs on player fairness and responsible gambling; developing custom computer programs to perform mathematical simulations that verify game designs, theoretical payback and award odds; conducting statistical analysis of huge data sets to verify the random number generators which are central to the integrity of the games; and interrupting computer programs during game play and modifying the results to quickly achieve all game outcomes and verify the accuracy of all game rules and prize payouts.

The Gaming Lab and personnel are accredited to the international standard ISO 17025:2005 for testing laboratories. The ISO 17025:2005 standard is considered as the international benchmark for excellence in testing laboratories, and this achievement sets the AGCO apart as the only known gaming regulator with an in-house accredited gaming lab. In 2015, the Lab was reaccredited after an extensive and successful three day audit by an external auditor, after which he provided the following comments:

> *"All staff members are very knowledgeable and properly trained and qualified. The laboratory is to be complemented on the efforts made to ensure proper knowledge and on-going training of all staff members involved in testing activities".*

Electronic Gaming Inspections

The Audit and Compliance Branch of the AGCO has Electronic Gaming Inspectors on-site at casinos and slot machine facilities who are responsible for inspecting new electronic gaming equipment, conducting targeted risk-based inspections on approved electronic gaming equipment, and performing inspections on new installations and changes to slot machines.

In 2015/16, Electronic Gaming Inspectors inspected 34,856 electronic gaming devices, including slot machines, with minimum disruption to patron play. Of these inspections, 2,211 deficiencies were found as follows:

- 1,311 critical deficiencies were found in games which were being inspected prior to approving their availability for patron play (i.e. incorrect software installed, unapproved pay tables enabled, etc.). These games were not allowed for play until corrective action was taken by the site and the games passed inspection; and
- 900 other non-compliance deficiencies were discovered during inspections of devices that were quickly remedied by the site (i.e. button panel not working, loose locks, etc.) so that the game could be made available for patron play once the deficiency was corrected

TABLE 6 NUMBER OF SLOT MACHINES AND TABLE GAMES IN GAMING FACILITIES

Casinos	# of Slot Machines	# of Table Games	Location	Open to Public
OLG Casino Brantford	572	59	Brantford	November 19, 1999
Great Blue Heron Charity Casino	540	60	Port Perry	May 5, 2000
OLG Casino Point Edward	445	21	Point Edward	April 20, 2000
OLG Casino Sault Ste. Marie	414	11	Sault Ste. Marie	May 23, 1999
OLG Casino Thousand Island (New Ownership – Great Canadian Gaming Corporation – January 11, 2016 - Shorelines Casino Thousand Islands)	473	24	Gananoque	June 22, 2002
OLG Casino Thunder Bay	450	11	Thunder Bay	August 30, 2000
Casino Niagara	1,487	39	Niagara Falls	December 9, 1996
Niagara Fallsview Casino Resort	3,146	135	Niagara Falls	June 8, 2004
Casino Rama	2,686	110	Orillia	July 31, 1996
Caesars Windsor	2,296	93	Windsor	Interim: May 1994 Permanent: July 29, 1998
	12,509	**563**		

Slot Facilities	# of Slot Machines	Location	Open to Public
Ajax Downs	829	Ajax	March 2, 2006
OLG Slots at Clinton Raceway	123	Clinton	August 26, 2000
OLG Slots at Dresden Raceway	143	Dresden	April 20, 2001
Flamboro Downs	813	Dundas	October 13, 2000
Georgian Downs	983	Barrie	November 29, 2001
Grand River Raceway	257	Elora	December 6, 2003
OLG Slots at Hanover Raceway	207	Hanover	February 21, 2001
Kawartha Downs Raceway (New Ownership – Great Canadian Gaming Corporation – January 11, 2016 - Shorelines Slots at Kawartha Downs)	457	Peterborough	November 24, 1999
Mohawk Raceway	920	Milton	August 12, 1999
Rideau Carleton Raceway	1,234	Ottawa	February 18, 2000
Sudbury Downs Raceway	411	Sudbury	November 28, 1999
OLG Slots at Western Fair	735	London	September 30, 1999
Woodbine Raceway	2,978	Toronto	March 29, 2000
Woodstock Raceway	241	Woodstock	June 22, 2001
	10,331		

cGaming

In 2015/16, the AGCO conducted 188 inspections at cGaming sites, with 269 inspection checklists completed. As of March 31, 2016, the following 31 sites, all of which have eBingo and eBOTS (TapTix machines), had been converted to eBingo sites conducted and managed by OLG:

TABLE 7 eBINGO SITES CONDUCTED AND MANAGED BY OLG

Site Name	Municipality	eBingo Launch Date
Boardwalk Gaming Centre	Sudbury	Pilot Program Site
PenDelta	Peterborough	Pilot Program Site
Treasure Chest	Kingston	Pilot Program Site
Boardwalk Gaming Centre	Barrie	Pilot Program Site
Boardwalk Gaming Centre – Val Caron	Sudbury	August 28, 2012
Community Spirit	Kingston	September 18, 2012
Boardwalk Gaming Centre	Penetanguishene	October 9, 2012
Delta Bingo	Pickering	November 20, 2012
Paradise Gaming Centre	Windsor	Pilot Program Site
Breakaway Gaming Centre	Windsor	Pilot Program Site
Boardwalk Gaming Centre	Pembroke	February 26, 2013
Delta Bingo	Niagara Falls	May 22, 2013
Delta	Oakville	June 18, 2013
Delta Bingo	Brampton	July 16, 2013
Rama Charitable Gaming Center	Mississauga	August 13, 2013
Cambridge Bingo	Cambridge	September 10, 2013
Bingo World GTA	Newmarket	October 9, 2013
Jackpot City	St. Thomas	December 4, 2013
Golden Nugget	Fort Erie	January 29, 2014
Long Sault Bingo	Hawkesbury	March 19, 2014
Main Street Bingo	Welland	April 16, 2014
Chances	Leamington	May 14, 2014
Delta Bingo St. Clair	Toronto	June 18, 2014
Riverview Bingo	Chatham	August 6, 2014
Delta Uncle Sam's	Fort Erie	October 8, 2014
Superior Shores Gaming Centre	Thunder Bay	December 17, 2014
Timmins City Bingo	Timmins	February 4, 2014
Dolphin Bingo	Toronto	April 22, 2015
Delta Bingo	St. Catharines	March 25, 2014
Bingo World GTA	Richmond Hill	May 8, 2015
Jackpot City	Sarnia	October 7, 2015

The AGCO's Regulatory Approach

Since 2007, the AGCO has been shifting towards a regulatory strategy which is risk-based, outcomes-based and compliance-focused, rather than focusing solely on enforcement after an infraction has been committed. The following programs form a multi-pronged approach to support this strategy:

- Risk-based enforcement – the AGCO focuses more resources on those licensed establishments with a higher risk profile and/or previous compliance issues
- Risk-based licensing and risk-based registration – applications for liquor sales licences and gaming registrations are reviewed and assessed with a view to identifying and mitigating risks, including the use of conditions, where appropriate
- Monetary penalties – an administrative sanction where a licensee or registrant pays a certain amount as a consequence of a breach of the *Liquor Licence Act, 1990* (LLA) or *Gaming Control Act, 1992* (GCA), and where a more severe sanction is not warranted under the circumstances
- Standards-based regulation of casino, cGaming and iGaming in Ontario – shift the focus from requiring registrants to comply with a specific set of rules or processes, which tend to be prescriptive in nature, towards the broader regulatory outcomes or objectives they are expected to achieve; and
- Education – increased focus and emphasis on education and training for external stakeholders as a means of fostering a compliance-focused culture within the industries the AGCO regulates. The idea is to help prevent licensees and registrants from committing infractions by helping them to better understand the AGCO's regulatory framework and how best to comply with their legal and regulatory obligations

Alcohol

The AGCO's Investigation and Enforcement Bureau (IEB) continues to build on the successes of Risk-Based Enforcement (RBE) methodologies to modernize province-wide compliance focused programming. The 2015/16 fiscal year was a period of strategic collaboration that included strengthening existing relationships with policing partners, providing meaningful external stakeholder education and engagement, and fostering a revitalized relationship with Toronto Municipal Licensing and Standards. These efforts continue to assist licensees to achieve a greater level of compliance with all laws. The IEB has also enhanced its analytical capacity through the recently implemented Research Advisor role that is engaged in ongoing program development and improvement.

The IEB's Inspection and Investigation Branch conducted more than 26,000 inspections of licensed premises and continued to measure an improvement in licensee compliance across the province. In 2015/16 approximately 8,550 contraventions of Ontario's liquor laws were cited during inspections. Additionally, there were just over 500 instances that were forwarded to the Deputy Registrar's Review process, which is the accountability framework that handles the most serious contraventions noted during inspections.

Where evidence exists to support allegations of breaches of the LLA and its Regulations by a licensee, the Registrar may impose/propose an administrative sanction, which can include a warning letter, monetary penalty, suspension or revocation of the licence.

TABLE 8 NOTICES OF PROPOSAL AND ORDERS OF MONETARY PENALTY (ALCOHOL)

	2014/15	2015/16
Notices of Proposal • Applications (new, change, transfer) • Disciplinary (suspend and/or add conditions, revoke) • Premises closed (revoke licence) • Other	469	474
Orders of Monetary Penalty	231	158

TABLE 9 ALCOHOL ADVERTISING COMPLAINTS REVIEWED

	2014/15	2015/16
Alcohol advertising complaints reviewed	8	9

Several initiatives, described below, promote public safety and support licensees and permit holders in achieving compliance.

Strategic Partnerships with Municipalities and Law Enforcement Agencies

The IEB prides itself on the relationships it fosters with external regulatory and policing agencies. Working collaboratively and with increasingly sophisticated coordination, these partnerships promote compliance with Ontario's liquor laws and provide insight into potential risks to public safety. In 2015/16 more than 1,700 joint inspections were completed by AGCO Inspectors partnered with police officers.

The IEB has a long history of working in partnership with local Municipal Licensing and Standards (MLS) divisions/agencies. Since the summer of 2014, Toronto MLS and the AGCO have redoubled efforts to identify establishments that pose the greatest risk to communities and to coordinate methodologies to bring these entities into compliance with municipal and provincial laws. This has enhanced the AGCO's ability to determine whether a licensee is operating lawfully and within the public interest. This type of information sharing also supports better decision making at both the provincial and municipal levels. The AGCO's Inspection and Investigation Branch and Toronto MLS regularly partner during fieldwork operations and conduct meetings to discuss opportunities for program innovation.

Strategic Actions for Effective Results (SAFER)

The Bureau initiated the SAFER program in 2014 to enhance the Risk-Based Enforcement strategy, and to address problematic licensees that are habitually non-compliant. With an emphasis on enforcement to instill compliance or ultimately a revocation of non-compliant licensees, SAFER is the embodiment of the collaboration between IEB, Licensing and Registration, and AGCO Legal Division to enhance public safety in liquor licensed establishments.

Best Bar None

Best Bar None (BBN) is an industry-led international accreditation and awards program that rewards excellence amongst responsible liquor sales licensees. BBN encourages licensed establishments to implement the highest standards for the responsible service of liquor, reducing the potential for alcohol-related issues, and making the safety of the patrons and the community top-of-mind. Ontario's BBN program was launched in 2012/2013 as a pilot that encompassed the Entertainment District in downtown Toronto. In 2014, the BBN program expanded to the Toronto downtown core and the ByWard Market area in Ottawa. In Toronto, 37 establishments applied for accreditation during 2013, the first year of the program. Now in its fourth year, nearly 100 establishments have received accreditation in Toronto and Ottawa combined. The Ontario Restaurant Hotel Motel Association (ORHMA) runs Ontario's BBN program with the support of the AGCO and industry partners. Mothers Against Drunk Drivers and local resident and business associations are also key partners.

Last Drink Program

The Last Drink Program endeavours to improve public safety and reduce impaired driving on Ontario's roadways. Under this program, police services inform the AGCO of alcohol-related driving infractions where drivers name a licensed establishment as the location where they last consumed alcohol. This information results in an inspection by an AGCO Inspector who will provide the licensee with guidance concerning meeting their regulatory obligations.

Over 260 last drink inspections were conducted during the 2015/16 fiscal year. Each of these inspections were the result of our policing partners alerting the Bureau to a driving under the influence of alcohol incident connected to an establishment. Presently, all OPP detachments and 26 municipal policing services are participating in the program.

Award for Outstanding Liquor Enforcement

The Ontario Association of Chiefs of Police (OACP) presents annual awards relating to liquor enforcement. These awards are presented annually to police agencies which demonstrate excellence and innovation in liquor enforcement. The 2015 OACP Outstanding Liquor Enforcement Award was presented to the Rama First Nations Police Service. This award is sponsored by the AGCO.

Community Alcohol Safety and Enforcement Program

The Community Alcohol Safety and Enforcement Program (CASE) is a partnership between the AGCO and the OACP that is best known for its semi-annual operations within college and university communities. During these high-profile campaigns, police officers throughout the province partner with AGCO Inspectors and OPP officers to inspect establishments that cater to post-secondary students returning to school, and promote the responsible sale and service of liquor throughout the year.

Additionally, the IEB provides ongoing guidance and support to front-line police officers throughout the province with regard to the enforcement of Ontario's liquor laws. This mandate is achieved through in-person seminars and the distribution of educational brochures summarizing police powers and the laws governing licensees and permit holders.

AGCO Audits of Wineries

The Audit and Compliance Branch oversees the winery audit program, which is administered by the LCBO on behalf of the Commission. These audits assess wine manufacturers' compliance with the *Wine Content and Labelling Act, 2000*. During 2015/16, 258 audits were carried out by the LCBO. These audits identified 38 instances of non-compliance. These issues were reviewed and appropriate regulatory tools were utilized to address the issues.

GAMING

Gaming Registrations

Where there is evidence that a commercial gaming registrant has breached the GCA, the Registrar may impose an administrative sanction where appropriate. This may include a monetary penalty, or a proposal to suspend or revoke a registration.

TABLE 10 ORDERS OF MONETARY PENALTY AND NOTICES OF PROPOSED ORDER ISSUED TO REGISTRANTS IN CASINOS AND SLOT MACHINE FACILITIES

	2014/15	2015/16
Orders of Monetary Penalty	4	0
Notices of Proposed Order	23	14

AGCO Audits of Casinos and Slot Machine Facilities

In 2015/16, the Audit and Compliance Branch carried out 2,063 gaming-related compliance inspections, 34,856 electronic gaming-related inspections and 51 liquor inspections. Any findings noted during inspections (including incidents of non-compliance that are either self-reported or noted by AGCO Inspectors) are tracked on a Corrective Action Report (CAR). For electronic gaming, the Slot History System (SHS) is also used to track non-compliance to the technical standards. A number of CARs relate to internal control procedural errors and are generally resolved at the time of the incident. When areas of non-compliance are identified, the branch works with gaming sites to address the concerns. There are a number of options available in addressing incidents which include verbal warnings or orders, verbal or written direction, written warnings, compliance plans and monetary penalties. In 2015/16, 922 gaming and 32 liquor-related CARs were created. In 2015/16, of the 34,856 electronic gaming-related inspections, 2,211 incidents of non-compliance with the technical standards and directives were identified. Most of these incidents were detected prior to electronic gaming equipment being cleared for patron play.

AGCO Audits of Ontario Gaming Facilities

As part of the AGCO's overall approach to working collaboratively with other government agencies, the AGCO worked closely with the Financial Transaction and Reports Analysis Centre of Canada (FINTRAC) to help combat money laundering and terrorist financing at gaming facilities. An MOU was signed between both parties in 2004. The collaboration between the organizations continues to be enhanced in an effort to increase information sharing in appropriate circumstances and to enable the AGCO and FINTRAC to meet their regulatory mandates. The AGCO also works very closely with other stakeholders such as the OLG and gaming operators to ensure appropriate measures are in place.

In carrying out an audit at a commercial gaming facility, the AGCO auditor assesses the site's compliance with its Internal Control Manual to ensure that it fulfills the requirements under the GCA, the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act, 2001* and all of the related regulations. In 2015/16, two sites transitioned to standards-based regulation, with all remaining sites completing the transition in 2016/17. Audits for such sites assess compliance with the Registrar's Standards for Gaming (September 2015). In 2015/16, eight audits were conducted at Ontario's gaming facilities. In addition to audits, the Audit and Compliance Branch carried out inspections throughout the year, including 24 detailed Anti-Money Laundering reviews.

Casino Enforcement Units

The Casino Enforcement Units (CEU) are comprised of OPP Officers assigned to the AGCO's Investigation and Enforcement Bureau. Each unit comprises members specially trained to conduct regulatory and criminal investigations in order to respond effectively to any threats to the integrity of the gaming activity. The specialized training ranges from detecting cheat at play, information gathering and anti-money laundering.

The primary responsibility of the units is to detect/deter criminal activity and to provide 24/7 first response policing within the gaming sites to protect the integrity of the gaming industry.

The units also provide a comprehensive information gathering role, by gathering information on any and all criminal organizations and activity within the industry and ensuring it is disseminated to proper regulatory and law enforcement partners throughout the world.

The units perform regulatory functions such as assisting with eligibility assessments on individuals and companies seeking registration to conduct business with the Ontario gaming industry and liaising with internal stakeholders such as AGCO's Audit & Gaming Compliance Branch as required to support the standards-based regulatory approach.

Occurrences at Casinos and Slot Machine Facilities

During 2015/16, the CEU responded to approximately 8,071 occurrences at casinos and slot machine facilities. Of these, 1,922 were *Criminal Code* offences, including 170 alleged incidents of cheat-at-play (36 cheat-at-play charges laid). Other *Criminal Code* related occurrences included fraud, theft and assault investigations. There were a total of 1,799 other calls for police assistance, including calls for medical emergencies, police information and abandoned children.

There were an additional 5,490 non-*Criminal Code* related occurrences. These occurrences involved provincial statute investigations or violations, including the LLA, *Trespass to Property Act, 1990*, and *Mental Health Act, 1990*. Other examples could include a suspicious-person investigation that may not necessarily fall into any specific offence category, missing persons' investigations, as well as assistance to other police agencies. This could include assistance with information gathering, requests for information or general inquiries/assistance for an outside investigation.

The 5,490 occurrences noted previously are in addition to assisting local police with non-gaming related investigations. Only those events that result in a report being filed are considered to be reportable occurrences by the AGCO's Investigation and Enforcement Bureau.

OLG Lotteries

Compliance Inspections

During 2015/16, AGCO Inspectors conducted over 11,400 Lottery Compliance Inspections at registered lottery retailer locations. As a result, approximately 1,800 infractions were cited and 1,000 warnings issued. Educating retailers on compliance and their responsibilities as registrants under the GCA is a key component of the overall inspection process.

Where a seller of OLG lottery products has breached the GCA, the Registrar may impose/propose an administrative sanction, including a monetary penalty, or a suspension or a revocation of the registration.

TABLE 11 ORDERS OF MONETARY PENALTY AND NOTICES OF PROPOSED ORDER ISSUED TO SELLERS OF OLG LOTTERY PRODUCTS

	2014/15	2015/16
Orders of Monetary Penalty	20	6
Notices of Proposed Order	21	21

Audits and Inspections of OLG Lotteries

The AGCO approves and monitors applicable internal control measures, security policies and procedures to protect the honesty and integrity of lottery operations, thus ensuring continued public confidence in lottery operations in Ontario.

AGCO Auditors conduct OLG lottery audits to ensure that the OLG fulfills its requirements under the GCA and all other related regulations. In 2015/16, four lottery audits were completed. During the same period, the Audit and Compliance Branch conducted 24 lottery retailer inspections.

Charitable Gaming

AGCO Inspectors are trained to conduct inspections at Break Open Ticket (BOT) seller locations across Ontario, and have also been cross-trained to inspect bingo facilities to ensure compliance with the GCA. In 2015/16, more than 2,000 BOT and traditional bingo hall inspections were conducted by AGCO Inspectors.

Where there is evidence that a charitable gaming registrant has breached the GCA, the Registrar may impose an administrative sanction where appropriate. This may include a monetary penalty, a suspension of the registration or a revocation of the registration.

TABLE 12 ORDERS OF MONETARY PENALTY AND NOTICES OF PROPOSED ORDER ISSUED TO CHARITABLE GAMING REGISTRANTS

	2014/15	2015/16
Orders of Monetary Penalty	1	0
Notices of Proposed Order	1	5

Audits and Inspections of OLG cGaming

In 2015/16, audits and inspections were conducted at 31 cGaming sites including inspections of 990 Tap-Tix machines. The AGCO worked with the OLG cGaming business unit and cGaming sites on developing action plans to address issues identified through the audit and inspection process. In addition, follow up audits and inspections were conducted to assess the progress of action plans and the effectiveness of remedial actions taken. In 2015/16, the AGCO carried out 234 gaming-related compliance inspections. In the last year, over 90 site visits of various cGaming sites across Ontario were conducted where 990 Tap-tix machines were inspected.

In addition, the Audit and Compliance Branch carried out 16 gaming-related compliance inspections on the cGaming system. A number of return Inspections occur over a period of days/weeks to complete the majority of these projects. One project could encompass software upgrades at multiple Halls and Venues across Ontario.

iGaming

Audits of iGaming

During fiscal year 2015/16, AGCO conducted regulatory assurance activities of OLG's iGaming system to ensure ongoing compliance with the Registrar's Standards for Gaming. These regulatory assurance activities included audits and compliance reviews, reviewing incident notifications, investigation of player complaints, data analysis for compliance insights, and reviews of system upgrades.

Electronic Raffles

Audits and Inspections of Electronic Raffles

In 2014/15, OLG contracted with two charities to conduct a pilot of the 50/50 electronic raffle scheme during hockey and basketball-themed events at the Canadian Tire Centre (Ottawa), with the Ottawa Senator's Foundation and at the Air Canada Centre (Toronto) with the Maple Leaf Sports and Entertainment Foundation. In 2015/16 the pilot was expanded for another season at both venues and included Toronto Rock (lacrosse) games at the Air Canada Centre and baseball events at the Rogers Centre (with the Jays Care Foundation). The AGCO carried out a combined 15 gaming-related compliance inspections and 16 electronic gaming-related inspections at the three venues. In addition, AGCO Auditors conducted audits to ensure that the OLG fulfilled their requirements under the OLG's Electronic Raffle Standards, Policies and Procedures, Charitable Gaming. The AGCO worked with the OLG 50/50 Electronic Raffle business units, their service providers and the charities to develop action plans to address issues identified through the audit process, and monitored completion of the plans. In addition, follow up audits and inspections were conducted to assess the progress of action plans and the effectiveness of remedial actions undertaken.

Hearings, Appeals, Dispute Resolution and Settlements

The Licence Appeal Tribunal (LAT) is responsible for adjudicating appeals regarding compensation claims and licensing decisions made by different regulators. If a person who receives a Notice of Proposal about a liquor matter, a Notice of Proposed Order about a gaming matter or is assessed an Order of Monetary Penalty from the Registrar of Alcohol and Gaming and wishes to request a hearing, it will be held by LAT.

LAT hearings are related to:

- Proposed actions by the Registrar under the LLA and GCA
- Registrar's refusal to licence or register under the LLA and GCA
- Compliance order hearings and hearings on the wine authority's refusal to grant an approval or suspend, revoke or refuse to renew an approval to use the terms, descriptions and designations established by the wine authority under the *Vintners Quality Alliance Act, 1999*
- Public interest hearings to determine eligibility for liquor licensed premises, additions to liquor licensed premises or revocation of liquor licensed premises where the public files objections in response to a public notice advising of the request for a licence or an amendment thereof; and
- Conducting appeals of Orders of Monetary Penalties assessed by the Registrar

The following settlements were reached without a LAT hearing:

TABLE 13 ALCOHOL-RELATED SETTLEMENTS WITHOUT A HEARING*

	2014/15	2015/16
Number of Settlements agreed to without a hearing (Notice of Proposals and Orders of Monetary Penalty)	245	177

* These settlements are negotiated by the AGCO's Legal Services Division, based on instructions from the Registrar.

TABLE 14 ALCOHOL-RELATED PUBLIC MEETING CONFERENCE CALLS**

	2014/15	2015/16
Number of Public Meeting Conference Calls	19	15

** This is an alternative dispute resolution process.

TABLE 15 GAMING-RELATED SETTLEMENTS WITHOUT A HEARING***

	2014/15	2015/16
Number of Settlements agreed to without a hearing (Notice of Proposals and Orders of Monetary Penalty)	33	12

*** These settlements are negotiated by the AGCO's Legal Services Division, based on instructions from the Registrar.

Appendix I

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Legal Framework – Alcohol

Liquor Licence Act, 1990

The *Liquor Licence Act, 1990* (LLA) establishes the licensing and regulatory regime for the sale and service of beverage alcohol in Ontario, except for retail sale to the public by the Liquor Control Board of Ontario (LCBO) and at manufacturers' stores, which is governed by the *Liquor Control Act, 1990*.

Various classes of licences and permits are established including:

- Licence to sell beverage alcohol
- Licence for ferment-on-premise facilities
- Licence for liquor delivery service
- Manufacturer's licence
- Licence to represent a manufacturer of beverage alcohol; and
- Special occasion permits for the sale and service of beverage alcohol on special occasions (for example, cash bars at fundraising events, weddings and receptions)

The LLA and regulations also establish the rules for sale and service of beverage alcohol, including:

- No sale or service to persons under the age of 19
- No sale or service to persons who appear to be intoxicated
- No sale of beverage alcohol before 11 a.m. or after 2 a.m. (unless otherwise stipulated)
- No overcrowding at licenced establishments; and
- No possession or sale of illegal drugs at a licenced establishment

The LLA and regulations provide for an inspection and enforcement regime to ensure that licensees and permit holders are in compliance with the law relating to the sale and service of beverage alcohol.

Sale of VQA Wine at Farmers' Markets

On December 16, 2013, the Ontario government announced that VQA wine would be sold at Farmers' Markets in Ontario. Subsequently, the new regulation under the LLA was made on March 26, 2014 that amended Ontario Regulation 720 in respect of manufacturers' licences. The amendments permit manufacturers operating an on-site winery retail store under authorization from the Registrar of Alcohol and Gaming to sell their VQA wine at qualifying Farmers' Markets subject to conditions in the regulations. Other conditions in respect of sales at Farmers' Markets are imposed by the Registrar on the retail store authorizations. The amendment to the regulation came into effect on May 1, 2014. Up until 2016, this had been a two-year pilot project. The government determined that the program will continue beyond the two-year pilot project period.

An amendment to the LLA regulation made on February 17, 2016, to take effect on May 1, 2016, provides that cider and fruit wine made from 100% Ontario fruit may be sold in Farmers' Markets.

Changes to Regulations under the *Liquor Licence Act, 1990* Enhance the Visitor Experience at Manufacturing Sites and Reduce Administrative Burden for Ontario Businesses

Changes to a number of regulations under the *Liquor Licence Act, 1990,* made in February 2016, to take effect on July 1, 2016 (except as noted below), will result in the following:

- Permitting Manufacturers to Hold More Than One Tied House* Licence – Ontario manufacturers will now be permitted to apply for a liquor sales licence to operate a tied house at each manufacturing site operated by the manufacturer
- Permitting "Take Home" Sales in Tied Houses – Tied house patrons may purchase liquor from the manufacturer's on-site retail store at their table to take home with them and to pay from the "take home" liquor on their restaurant bill
- A More Seamless Visitor Experience at Manufacturing Sites – A manufacturer with both a tied house and by-the-glass licence may allow customers to move freely between these licenced areas with their beverages
- Indoor/Outdoor Capacity Limits at Tied Houses – The maximum capacities imposed in the regulation on tied houses has been removed, allowing capacities for tied houses to be set in the same manner as other licenced establishments
- Catering Endorsements at Tied Houses – Tied house licence holders will be permitted, as other liquor licence holders, to apply for a caterer's endorsement to produce events at any eligible location
- Administrative changes to decrease regulatory burden for manufacturers' representatives, ferment-on-premises facilities and liquor delivery service licensees
- Allowing family-made beer and wine at more family events under special occasion permits
- Allowing auctions of liquor at licenced establishments and permitted events; and
- Requiring mandatory server training for manufacturers' representative and staff at retail outlets authorized by the Registrar and a requirement for the completion of such server training at all places that it is required before the server commences work. This requirement comes into effect for liquor delivery services and liquor sales licences on July 1, 2017

* A Tied House is an on-site restaurant/establishment at a manufacturing site of a winery, distillery or brewery, where a manufacturer may "showcase" their products on their own or in conjunction with other brands and types of liquor.

Liquor Control Act, 1990 [Section 3(1)b, e, f, g and 3(2)a]

Effective July 3, 2001, the AGCO assumed responsibility from the LCBO for the following:

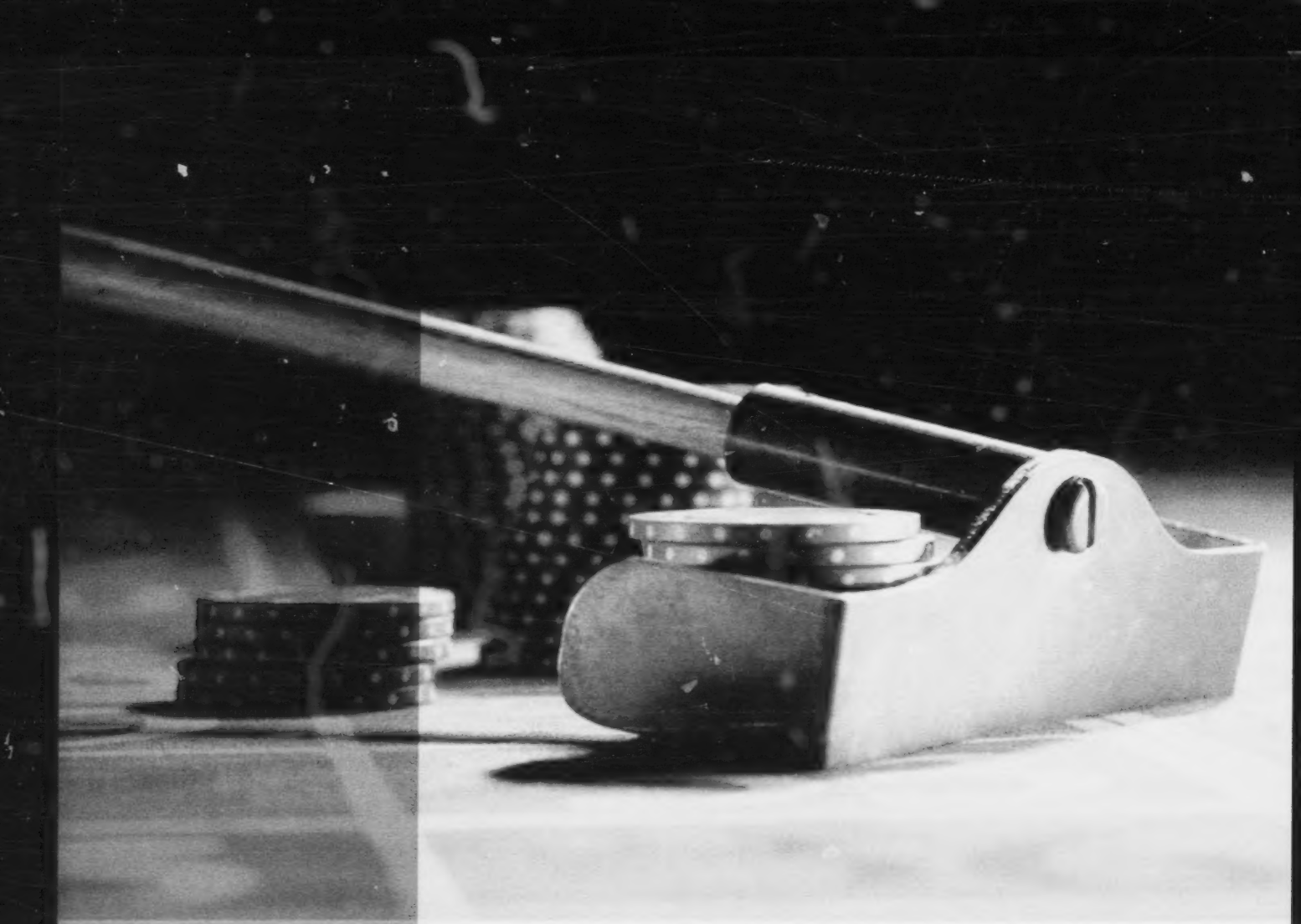
- To control the delivery of liquor to the public;
- To authorize manufacturers of beer and spirits and wineries that manufacture Ontario wine to sell their spirits, beer or Ontario wine in stores owned and operated by the manufacturer or winery and to authorize The Beer Store to operate stores for the sale of beer to the public
- To control and supervise the marketing methods and procedures in stores owned and operated by manufacturers and wineries
- To determine, subject to the LLA, the municipalities within which stores owned and operated by manufacturers and wineries referred to in point 2 above shall be established or authorized and the location of such stores in municipalities
- To establish conditions, subject to any regulation, with respect to authorizations for stores owned and operated by manufacturers and wineries referred to in point 2 above; and
- To establish conditions, subject to any regulations, with respect to authorizations granted with respect to the delivery of liquor to the public

Wine Content and Labelling Act, 2000

The *Wine Content and Labelling Act, 2000* specifies that an Ontario winery may manufacture and sell wine in the province using imported grape or grape products. If an Ontario winery uses imported grapes or grape products in manufacturing it may keep for sale or sell the wine to, or under the control of, the Liquor Control Board of Ontario.

Expansion of Beer Sales to Grocery Stores

A new regulation under the *Liquor Control Act, 1990* provides for the sale of beer at selected grocery stores in Ontario. Beer must be displayed in a single contiguous location in the grocery store. At least 20% of the beer on display for sale must be beer from small brewers. Persons selling the beer must have completed server training. Those handling the beer in a grocery store must be at least 18 years of age. Beer must be sold during the same hours as other government stores.



Appendix II

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Legal Framework – Gaming

Criminal Code of Canada

The *Criminal Code of Canada* (the Code) establishes what types of gaming activities are legal, and the provinces are assigned responsibility for operating, licensing and regulating legal forms of gaming.

Part VII of the Code prohibits gaming in general, while Section 207 (1) allows for a number of exceptions to the general prohibition. Specifically, it permits lottery schemes provided that they are:

- Conducted and managed by the province or by an agent of the Province, which in Ontario is the Ontario Lottery and Gaming Corporation (OLG)
- Conducted and managed by a licensed charitable or religious organization provided that the proceeds of the lottery scheme are used for a charitable or religious purpose; and
- Conducted and managed by a licensed board of a fair or exhibition or by an operator of a concession leased by that board or by a person at a public place of amusement where the prizes and wagers are limited to small amounts set out in the Code.

"Lottery schemes" are broadly defined under the Code but exclude a number of specific schemes, including single sports events, thereby making betting or wagering on such schemes illegal in Canada, and pari-mutuel betting on races, which is permitted for horse racing elsewhere in the Code. The definition also effectively reserves the conduct and management of lottery schemes using electronic devices or computers to the Provinces or their agents, subject to a recent exception. In December 2014, the Code was amended to allow the use of computers for the sale of a ticket, selection of a winner or the distribution of a prize in a raffle, including a 50/50 draw, if the raffle is conducted and managed by a charitable or religious organization in accordance with other requirements in the Code. In consultation with stakeholders, the AGCO will be developing standards and requirements in respect of the use of computers for raffles. (Sec. 207(4)).

Gaming Control Act, 1992

The *Gaming Control Act, 1992* (GCA) provides for the regulation of gaming operations, suppliers and gaming assistants/employees of casinos, slot machine facilities, charitable gaming events, and registration of OLG lottery retailers, lottery retailer managers, and lottery suppliers.

Ontario Regulation 78/12 applies to all the gaming sectors under the AGCO's responsibility (i.e. charitable gaming, casinos, slot machine facilities and lotteries conducted and managed by the OLG, as well as the new internet and electronic charitable gaming products that are being developed by OLG).

Registrar's Standards for Gaming

In April 2013, the Registrar of Alcohol and Gaming established new standards and requirements applicable to casino gaming, charitable gaming sites and lottery games conducted and managed by the Ontario Lottery and Gaming Corporation (OLG) and internet gaming. The Registrar's Standards for Gaming were updated in 2015.

The Registrar's Standards are a foundational piece in the AGCO's modernization of gaming regulation and its transition away from a "command and control" regulatory approach to a standards-based regulatory model. The objective of a standards-based model is to shift the focus from requiring registrants to comply with a specific set of rules or processes, which tend to be prescriptive in nature, towards the broader regulatory outcomes or objectives they are expected to achieve.

The introduction of the Registrar's Standards flows from statutory and regulatory amendments to the *Gaming Control Act, 1992* in June 2012. These amendments were introduced to modernize gaming and allow a more risk-based approach to regulation of Ontario's gaming sector. Specifically, the changes provided the Registrar with the authority to put in place risk-based standards to address various key areas of regulatory concern, such as surveillance, security, access to gaming sites, protection of players and responsible gambling.

Moving forward, the Registrar's Standards will replace the prescriptive, rules-based approach taken in the previous regulations. The new standards were drafted at a high level of generality so as to capture the purpose behind the rules. This offers greater flexibility to regulated entities to design their own control environments and determine the most efficient and effective way of fulfilling their regulatory obligations, while at the same time ensuring that the integrity of gaming is preserved. Ultimately, the goal is to strengthen regulatory outcomes in a way that does not unnecessarily burden regulated entities.

Other benefits of a standards-based approach to gaming regulation include:

- Increased efficiencies for gaming operators to respond to changing market conditions
- Strong proactive compliance culture and monitoring of performance by gaming operators against their own controls; and
- A more effective regulatory structure that is geared to the achievement of results or outcomes and regulatory oversight focusing on high impact areas of concern

The Registrar's Standards were developed based upon a comprehensive risk assessment conducted in consultation with key gaming industry stakeholders, including the OLG, public interest groups, operators of casinos and charitable gaming sites and other governmental partners. Risk assessments will be conducted periodically to ensure that the standards continue to be relevant, and that the highest standards of integrity for gaming in Ontario are maintained.

Implementation of the Registrar's Standards continues to be phased in across all applicable gaming sectors. A comprehensive implementation plan has been developed in collaboration with OLG and operators in order to facilitate a smooth transition to the standards-based model and to preserve the integrity of and public confidence in gaming in Ontario.

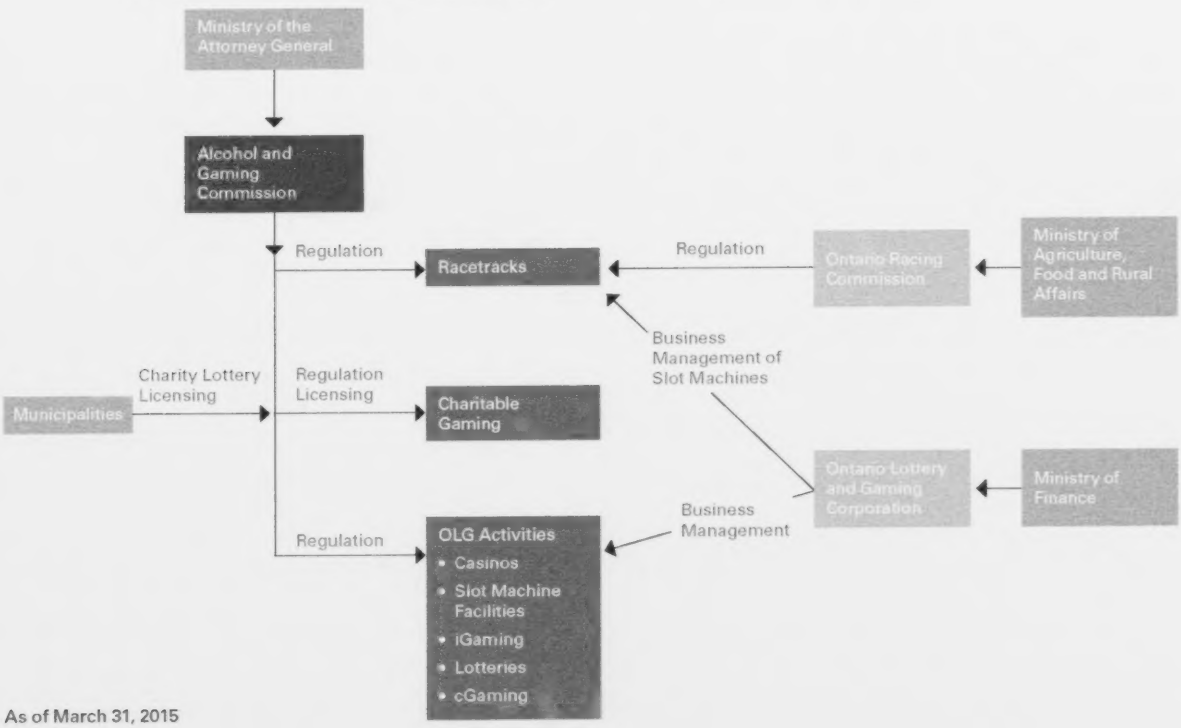
The AGCO will support regulated entities in achieving regulatory outcomes by broadening its approach to one of support for registrant compliance with regulatory obligations. The AGCO will provide that support through the effective use of a broader range of regulatory tools that will allow it to do more than enforce regulatory obligations. The AGCO's regulatory assurance activities will be both proactive and reactive in nature and will include education, assessments, inspections, investigations, audits, equipment testing, as well as reliance on internal or external audits or attestations, among other things.

In the event that a registrant fails to comply with its regulatory obligations, the AGCO will continue to have a number of compliance and enforcement tools at its disposal, including warning letters, the imposition of enhanced regulatory assurance activities, additional requirements or terms of registration, monetary penalties and, in cases of material or ongoing instances of non-compliance, suspensions or revocations of registration.

Ultimately, the regulatory framework is designed to provide regulated entities with maximum flexibility, while still continuing to ensure the highest levels of integrity within the gaming industry.

The Registrar's Standards for Gaming will be fully implemented at all casino and slot facilities conducted and managed by OLG in 2016. The Standards have been implemented in the iGaming lottery scheme and charitable gaming sites where the OLG conducts and manages the lottery schemes. The AGCO will continue to work with the OLG on the implementation of standards for lottery gaming as part of OLG's modernization initiative.

FIGURE 4 ONTARIO GAMING RELATIONSHIPS



As of March 31, 2015

Note: In December, 2015, the Ontario government passed the *Horse Racing Licence Act, 2015*, directing the AGCO to take responsibility for regulating horse racing in Ontario on April 1, 2016.

Order-in-Council 1413/08

Order-in-Council 1413/08 (OIC) clarifies the rules and responsibilities of the AGCO and municipalities in lottery licensing. Additional changes were made to take into account the new bingo revenue model. The OIC provides that charitable organizations may be licensed to conduct and manage lottery events by either the Registrar appointed under the *Gaming Control Act, 1992* or, depending on the type of charitable gaming event and the value of prizes to be awarded, by a municipal council. The OIC outlines terms and conditions that apply to lottery licences. The OIC also provides that the Registrar may attach additional terms and conditions to any licences he or she issues, and that municipal councils may attach terms and conditions to licences they issue provided they do not conflict with those of the Registrar. A number of First Nations have been designated by OIC to issue lottery licences for charitable organizations.

In order to qualify for a lottery licence, an organization must have a "charitable object or purpose." Charitable object or purpose is defined at common law and under the OIC as any object or purpose relating to:

- The relief of poverty
- The advancement of education
- The advancement of religion; or
- Any other purpose beneficial to the community

First Nations Lottery Licensing

In 1998, the government approved a First Nations lottery licensing framework, which delegates authority comparable to that of municipalities to individual First Nations. An Order-in-Council (OIC) is issued to each participating First Nation. The OIC provides First Nations with authority to issue licences to religious and charitable organizations to conduct lottery schemes.

Legal Framework – Horse Racing

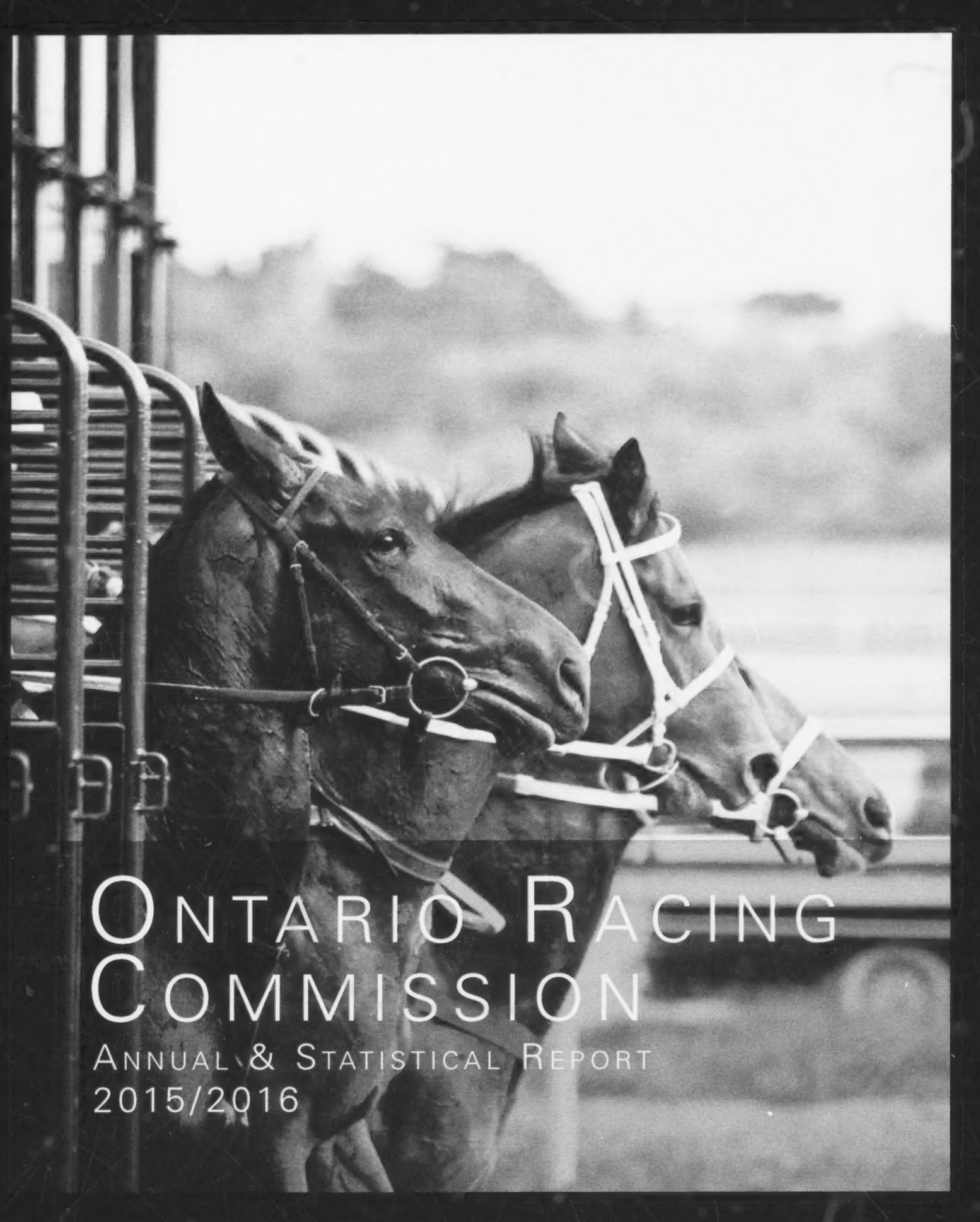
Enactment of *Horse Racing Licence Act, 2015*

The Government of Ontario announced as part of the 2015 Ontario Budget that the racing regulatory operations of the Ontario Racing Commission (ORC) would be merged with the AGCO. The industry support activities of the ORC would be transferred to the OLG.

The *Horse Racing Licence Act, 2015*, Schedule 9 to the *Budget Measures Act, 2015*, was given Royal Assent on December 10, 2015. On February 20, 2016, the Lieutenant Governor proclaimed that the *Horse Racing Licence Act, 2015* would come into force on April 1, 2016.

Effective April 1, 2016, the *Horse Racing Licence Act, 2015* grants to the renamed Registrar of Alcohol, Gaming and Racing the authority to govern, direct and regulate horse racing in Ontario, including the making of rules of racing. It provides that notices issued by the Registrar proposing to suspend or revoke licences may be appealed to the Licence Appeal Tribunal. Appeals from the rulings of judges or stewards under the rules of racing would be appealed to a newly created appellate body called the Horse Racing Appeal Panel.

The Act provides for inspection and investigative authority and creates offences for cruelty to race horses, benefitting from cheating at races, adversely affecting the integrity of racing and contravening the Act.



Ontario Racing Commission

Annual & Statistical Report 2015/2016

Mission

To ensure effective and efficient oversight of the horse racing industry in Ontario.

Mandate

The Ontario Racing Commission acts in the public interest to govern, direct, control and regulate the horse racing industry in Ontario, including racing in all its forms, the operation of racetracks, licensing of racetracks and racing participants. The ORC must exercise its powers and perform its duties in the public interest and in accordance with the principles of honesty and integrity, and social responsibility. The role and authorities of the ORC are established by the *Racing Commission Act, 2000* (Statutes of Ontario 2000, c.20) and its regulations.

The ORC reports to the Ministry of Agriculture, Food and Rural Affairs and assists the ministry in its strategic priorities.

Vision

A strong, vibrant horse racing industry founded upon the principles of honesty, integrity and social responsibility.

Core Values

Respect, Innovation and Accountability.

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ORC Commissioners – as of March 31, 2016

ELMER BUCHANAN, *Havelock*
Chair

First Appointed
November 6, 2013

Term Expires
March 31, 2016

ANTHONY WILLIAMS, *Caledon*
Vice-Chair

First Appointed
2012

Term Expires
March 31, 2016

JUSTIN R. FOGARTY, LL.B, LL.M,
Alliston

First Appointed
2014

Term Expires
March 31, 2016

SANDRA J. MEYRICK, MSC, LLB,
Toronto

First Appointed
2013

Term Expires
March 31, 2016

JOHN W. MACDONALD, Q.C.,
Toronto

First Appointed
2009

Term Expires
March 31, 2016

ANNE WALKER, DVM, JD,
Beamsville

First Appointed
2012

Term Expires
March 31, 2016

ELEANOR MESLIN, *North York*
Ex-officio

First Appointed
July 2015

Term Expires
March 2016

S. GRACE KERR
London

First Appointed
July 2015

Term Expires
March 2016

The Commissioners' terms expired on March 31, 2016.

Executive Summary

Ontario Racing Commission, 1950 to 2016

The sport of horse racing has been part of Ontario's history for more than one hundred years, with various venues throughout the province. For decades, pari-mutuel betting on horse racing was the only form of legalized gambling in Canada.

To maintain the integrity of racing and to protect the public interest, in 1950 the Government of Ontario established the Ontario Racing Commission (ORC). The role and authorities of the ORC were established by the *Racing Commission Act, 2000,* and subsequently the *Racing Commission Act, 2000* (Statutes of Ontario 2000, c.20) and its regulations.

The purpose of this Crown agency was to govern, direct, control and regulate the horse racing industry in Ontario in all its forms.

Over the course of its proud history, the ORC exercised its powers and performed its duties in the public interest and in accordance with the principles of honesty and integrity, and social responsibility.

In 2015, the Government of Ontario introduced legislation – the *Horse Racing Licence Act, 2015* (HRLA) - that moved to integrate horse racing into the province's gaming strategy. This included the transfer of the regulatory responsibilities for horse racing from the ORC to the Alcohol and Gaming Commission of Ontario (AGCO), effective April 1, 2016. With the passage of the HRLA, some functions that had been managed by the ORC were transferred to other organizations.

Changes Which Took Effect April 1, 2016

Adjudication

Appeals of rulings made by Judges and Stewards under the Rules of Racing 2016 will now be heard by the Horse Racing Appeal Panel (HRAP). Appeals of decisions of the Registrar under the HRLA related to licensing will now be heard by the License Appeal Tribunal (LAT).

Industry Support

Industry support programs – such as the Horse Improvement Program (HIP) – are now managed by Ontario Racing (OR).

Responsibility for the Enhanced HIP program remains under the supervision of the Horse Racing Transition Branch, Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA).

Administration of the Transfer Payment Agreements (TPAs) that the Ontario government has with racetracks in the province is now managed by OLG.

ORC Mandate, Mission, Vision and Core Values

Mission

Our mission is to protect the public interest through the provision of effective and efficient services to the horse racing industry.

Mandate

The ORC acts in the public interest to govern, direct, control and regulate horse racing in all its forms in Ontario, the operation of racetracks, and the licensing of racetracks and racing participants. The ORC exercises its powers and performs its duties in accordance with the principles of honesty, integrity and social responsibility. The role and authorities of the ORC are established by the *Racing Commission Act, 2000*.

The goals of the ORC align with Ontario government goals to:

1. Make Ontario a better place to do business
2. Increase competitiveness through innovation
3. Grow our markets at home and abroad

Vision

The ORC will be a world-class leader in regulation and will partner with industry to support the sustainability and growth of horse racing to benefit the Ontario economy.

Core Values

Respect, Innovation and Accountability.

Role of the Ontario Racing Commission

TABLE 16 ROLE OF THE ORC

	FUNCTIONS *What does the ORC do?*	PROTECTION AND PROMOTION *Why does the ORC do it?*
Regulatory Division [1]	• Officiate live racing, ensuring compliance with the Rules of Racing • Investigation of regulatory non-compliance • Investigation of legal non-compliance • License horse racing participants • Management of veterinary services • Management of Regulatory Programs • Adjudication	• Protection of the public interest • Protection of all participants • Protection of the equine athlete • Protection of the betting public
Ontario Horse Racing [2]	• Implementation of the Ontario Horse Racing Partnership Plan • Management of Industry Programs • Administration of the Horse Racing Partnership Funding Program	• Enhancement of horse racing in the province of Ontario • Development of a sustainability model for the sport of racing • Oversight of public funds • Promotion of the sport to the public

(1) This function will be integrated into the regulatory responsibility of the AGCO upon the merger of the AGCO and the ORC on April 1, 2016.

(2) This function will remain with Ontario Racing upon the merger of the AGCO and the ORC on April 1, 2016.

The ORC: A Proud History

From 1950 to 2016, the ORC became known as a world-class regulator and developer of best practices. This section is a tribute to the people and innovations of this celebrated Crown Agency.

The People of the ORC

Many distinguished and dedicated people served the horse racing community as ORC staff members and government appointed Commissioners.

They were judges and stewards, veterinarians and licencing agents, accountants and lawyers. They came from a variety of backgrounds, and they shared a common bond: to protect the integrity of horse racing, ensure the safety of human and equine athletes, and protect the public interest.

Equine Medication Control Program

The ORC recognized that the health and well-being of the horse was of paramount concern to the racing industry. It also recognized that the future growth and viability of the industry was dependent on all racing fans, as well as the general public, having full and complete confidence in the integrity of the sport.

With industry support and participation, the ORC introduced an Equine Medication Control Program. Simply stated, medication control means only using medications or products that have a therapeutic value to the horse. The ORC sent firm and consistent messages to industry participants that it was unethical to give non-therapeutic drugs to a horse at any time.

Serious sanctions, such as significant fines and multi-year suspensions, reinforced the message that the acquisition, possession and administration of illegal and non-therapeutic drugs would not be tolerated by the thousands of caring and professional people who make up this community.

Horse racing regulators in Australia credited Ontario for its leadership and assistance in maintaining the integrity of that country's horse racing industry. Officials stated that the ORC pioneered the fight against illegal medications and its guidance helped Australia develop its own testing protocol.

Rule Changes on Urging the Horse

In order to protect the health and welfare of the horse and the public's perception of racing, Ontario led the way in the introduction of new rules on the use of the whip – known as urging.

The new rules came into place after a year-long dialogue with the racing community and considerable work and effort undertaken by industry Working Groups. Through a program of education of the participants and consistency from the officials in applying the rules, Ontario established a new standard of practice. Other jurisdictions subsequently followed Ontario's lead.

Research and Investigation into the loss of Equine Athletes

Ontario has the distinction of having one of the lowest rates of equine fatalities in racing in North America. In many ways this can be attributed to the ORC's efforts to advance the welfare of the race horse, a working partnership with licensed veterinarians, and its vigilance in medication control.

Yet the death of even one race horse has a profound effect on all those involved in racing and there is a collective determination to minimize these unfortunate incidents.

The ORC wanted to focus on the cause, effect and prevention of accidents and created a new position - Equine Accident Specialist. When there was a serious equine accident, the specialist was assigned to conduct an investigation into the circumstances surrounding the accident. This involved a review of all video, interviews with participants and witnesses and an examination of determining factors like track conditions. The goal was to gather facts and research which could lead to enhancements in rules and improving conditions for horses.

Research has played a key role. Ontario was one of the first North American racing jurisdictions to establish mandatory reporting of race horse deaths. This registry assisted the ORC in tracking, investigating and taking regulatory action on cases of abuse or mistreatment of the horse. Data gathered was shared with the University of Guelph and proved to be a valuable research tool.

A Conclusion and a Continuation

On April 1, 2016 the Ontario Racing Commission will be dissolved. However, the oversight of horse racing continues. Through an integrated regulatory model, using best practices from the AGCO and the long history and traditions of the ORC, the welfare of the animal, safety of the participant, and protection of the public interest will be maintained.

2015/16 ORC Key Achievements

Integration of the ORC's Regulatory Function with the AGCO

On July 6, 2015, the ORC entered into a "soft merger" period with the AGCO with the aim of integrating the ORC's regulatory function with the AGCO's existing mandate of regulating the liquor and gaming industries. The planned, formal merger of the two organizations, scheduled for April 1, 2016 will be the result of significant effort by both organizations to ensure that regulatory oversight of the horse racing industry is maintained at the highest levels of honesty and integrity. Some of the major components of this merger period include:

- The cross-appointment of the CEO to provide consistency and unified direction during the merger period
- The development of legislation to facilitate the legal merger of the two organizations
- The consolidation, where possible, of administrative functions between the two organizations to facilitate a more seamless merger process; and
- The creation of the Horse Racing Appeal Panel, a new administrative tribunal to adjudicate appeals of alleged violations of the Rules of Racing

With the formal merger of the two organizations planned for April 2016, the ORC will vacate its offices at 10 Carlson Court, although it is anticipated that the Horse Racing Appeal Panel will conduct its proceedings from the former ORC offices.

Racetrack Accountability Framework

The Racetrack Accountability Framework was launched to ensure that racetracks are in compliance with the requirements of the Transfer Payment Agreement (TPA), which each racetrack entered into for financial support delivered through the Horse Racing Partnership Plan, Terms and Conditions of licence and general compliance with the Rules of Racing.

The reviews consisted of physical inspections of each racetrack facility, including the review of all relevant financial records including supporting documents to ensure that expenses claimed under the TPA are permitted. Controls and procedures were also received for key financial decisions.

2015/16 Performance Measures and Targets

Licensing

In 2015-2016, the ORC continued its efforts to provide a regulatory framework that supports a modern, efficient, and consumer-focused industry. Licensing agents, especially those housed at racetracks were the customer service face of the ORC. Licensing occurs at the racetracks and through head office in Toronto. The ORC licenses participants (jockeys, trainers), racetracks (associations) and teletheatres.

TABLE 17 NUMBER OF LICENCES ISSUED

	2012	2013	2014	2015
Thoroughbred	7,126	6,205	6,101	6,198
Quarter Horse	862	698	545	587
Standardbred	15,105	11,593	11,035	10,983
	23,203	18,496	17,681	17,768

Investigations

The following are ORC investigative statistics for 2012-2015:

TABLE 18 INVESTIGATIONS UNIT STATISTICS

	2012	2013	2014	2015
Compliance Activities	342	391	366	288
Due-Diligence Activities	1,996	2,089	1,397	1,457
Medication Control Activities	386	270	241	199
Regulatory Activities	125	153	63	93

Rulings

Rulings are written decisions by the Judges and Stewards that relate to violations of the Rules of Racing.

TABLE 19 RULINGS OF JUDGES AND STEWARDS

		2012	2013	2014	2015
Thoroughbred	Stewards' Rulings	225	157	125	151
	Live Race Dates	230	174	170	173
	Rulings per Race Date	0.98	0.90	0.74	0.87

		2012	2013	2014	2015
Standardbred	Judges' Rulings	1,007	549	463	438
	Live Race Dates	1,386	790	736	748
	Rulings per Race Date	0.66	0.64	0.63	0.59

		2012	2013	2014	2015
Quarter Horse	Stewards' Rulings	58	30	32	41
	Live Race Dates	45	30	27	27
	Rulings per Race Date	1.31	1.00	1.19	1.52

Commission Hearings

Licensees had the right to appeal all rulings issued by the Judges or Stewards for violations of the *Rules of Racing* or decisions of the Executive Director under the *Racing Commission Act, 2000.*

TABLE 20 COMMISSION HEARINGS

	2012	2013	2014	2015
Thoroughbred Hearings	24	24	21	27
Standardbred Hearings	50	60	31	33
Other Matters	2	1	17	6
	86	85	69	**66**
Number of Hearing Dates	29	45	30	39

Notices

Number of Notices of Proposed Order or Immediate Suspension issued in:

TABLE 21 NOTICES OF PROPOSED ORDER OR IMMEDIATE SUSPENSIONS

	2012	2013	2014	2015
Notice of Proposed Order	9	15	15	7

Cumulative 2015-16 Key Performance Indicators Report

For the period between April 1, 2015 to March 31, 2016

Prepared based on unaudited racetrack submissions and CPMA data

TABLE 22 LIVE ON-TRACK WAGERING TOTALS

			LIVE ON-TRACK WAGERING		
		Class	Live On-Track Wagering (Ontario pools)(Note 1)	Live On-Track Wagering per Card	Live On-Track Wagering per Race
Thoroughbred	Woodbine TB	Premier	$35,247,132	$265,016	$28,220
	Fort Erie (Note 4)	Signature	$2,425,714	$60,643	$7,395
			$37,672,846	**$217,762**	**$23,889**
Standardbred	Mohawk	Premier	$8,031,154	$68,061	$6,159
	Woodbine SB	Premier	$7,618,453	$73,966	$7,054
	Premier Total		**$15,649,608**	**$70,813**	**$6,564**
	Western	Signature	$2,072,628	$17,129	$1,602
	Flamboro	Signature	$1,652,179	$12,709	$1,189
	Grand River	Signature	$942,291	$19,230	$1,851
	Georgian	Signature	$632,343	$16,214	$1,585
	Rideau (Note 4)	Signature	$2,077,969	$23,089	$2,114
	Signature Total		**$7,377,409**	**$17,197**	**$1,613**
	Clinton	Grassroots	$272,740	$18,183	$1,783
	Hanover	Grassroots	$234,465	$14,654	$1,447
	Kawartha	Grassroots	$677,909	$32,281	$3,198
	Hiawatha	Grassroots	$370,184	$17,628	$1,754
	Dresden	Grassroots	$216,900	$19,718	$1,937
	Lakeshore	Grassroots	$303,909	$21,708	$2,171
	Grassroots Total		**$2,076,107**	**$21,185**	**$2,097**
			$25,103,124	**$33,560**	**$3,158**
Quarter Horse	Ajax	Signature	$375,496	$13,907	$1,699
			$375,496	**$13,907**	**$1,699**
Grand Total			**$63,151,466**	**$66,615**	**$6,480**

Note: (1) Live Wagering is based on CPMA data for January 2015-December 2015 and presents a comparable estimation of April 2015-March 2016.

TABLE 23 RACE DAY STATISTICS

			RACING							
		Class	Race Dates (Actual) (Note 2)	Races	Cancelled Race Dates	Average Races per Card	Horses Entered (Note 3)	Starts	Average Entries per Card	Average Starts per Card
Thoroughbred	Woodbine TB	Premier	133	1,249	-	9.4	15,902	10,117	120	76
	Fort Erie (Note 4)	Signature	40	328	-	8.2	2,365	2,326	59	58
			173	**1,577**	**-**	**9.1**	**18,267**	**12,443**	**106**	**72**
Standardbred	Mohawk	Premier	118	1,304	-	11.1	17,222	11,736	146	99
	Woodbine SB	Premier	103	1,080	1	10.5	13,134	9,684	128	94
	Premier Total		**221**	**2,384**	**1**	**10.8**	**30,356**	**21,420**	**137**	**97**
	Western	Signature	121	1,294	3	10.7	14,115	9,964	117	82
	Flamboro	Signature	130	1,389	3	10.7	14,779	11,251	114	87
	Grand River	Signature	49	509	-	10.4	6,333	4,301	129	88
	Georgian	Signature	39	399	-	10.2	3,923	3,092	101	79
	Rideau (Note 4)	Signature	90	983	-	10.9	7,899	7,635	88	85
	Signature Total		**429**	**4,574**	**6**	**10.7**	**47,049**	**36,243**	**110**	**84**
	Clinton	Grassroots	15	153	1	10.2	1,476	1,086	98	72
	Hanover	Grassroots	16	162	-	10.1	1,364	1,175	85	73
	Kawartha	Grassroots	21	212	-	10.1	1,907	1,680	91	80
	Hiawatha	Grassroots	21	211	-	10.0	1,924	1,658	92	79
	Dresden	Grassroots	11	112	-	10.2	1,040	813	95	74
	Lakeshore	Grassroots	14	140	-	10.0	1,258	922	90	66
	Grassroots Total		**98**	**990**	**1**	**10.1**	**8,969**	**7,334**	**92**	**75**
			748	**7,948**	**8**	**10.6**	**86,374**	**64,998**	**115**	**87**
Quarter Horse	Ajax	Signature	27	221	1	8.2	2,525	1,608	94	60
			27	**221**	**1**	**8.2**	**2,525**	**1,608**	**94**	**60**
Grand Total			**948**	**9,746**	**9**	**10.3**	**107,166**	**79,049**	**113**	**83**

Notes: (2) Race Dates (Actual) = ORC approved race dates net cancelled and make-up dates.

(3) Horses Entered = Number of horses that apply to race. (Can apply to multiple races.)

TABLE 24 RACING FAN METRICS

			FAN METRICS		
		Class	# Bets On-Track on Live	Average # Live Bets/Live Race	Live On-Track Wagering/Live Bet
Thoroughbred	Woodbine TB	Premier	8,099,290	6,485	$4.35
	Fort Erie (Note 4)	Signature	564,930	1,722	$4.29
			8,664,220	**5,494**	**$4.35**
Standardbred	Mohawk	Premier	1,871,824	1,435	$4.29
	Woodbine SB	Premier	1,952,341	1,808	$3.90
	Premier Total		**3,824,165**	**1,604**	**$4.09**
	Western	Signature	832,369	643	$2.49
	Flamboro	Signature	780,965	562	$2.12
	Grand River	Signature	445,439	875	$2.12
	Georgian	Signature	311,485	781	$2.03
	Rideau (Note 4)	Signature	644,380	656	$3.22
	Signature Total		**3,014,638**	**659**	**$2.45**
	Clinton	Grassroots	63,986	418	$4.26
	Hanover	Grassroots	70,114	433	$3.34
	Kawartha	Grassroots	127,130	600	$5.33
	Hiawatha	Grassroots	128,076	607	$2.89
	Dresden	Grassroots	40,757	364	$5.32
	Lakeshore	Grassroots	49,000	350	$6.20
	Grassroots Total		**479,063**	**484**	**$4.33**
			7,317,866	**921**	**$3.43**
Quarter Horse	Ajax	Signature	73,453	332	$5.11
			73,453	**332**	**$5.11**
Grand Total			**16,055,539**	**1,647**	**$3.93**

Note: (4) United Tote systems are unable to provide # Bets On-Track on Live; Fort Erie and Rideau figures are estimates based on Live Attendance.

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

August 3, 2016

Ms. Eleanor Meslin, Chair
Alcohol and Gaming Commission of Ontario
90 Sheppard Avenue East Suite 200
Toronto, Ontario
M2N 0A4

Dear Ms. Meslin:

In accordance with section 14 of the *Racing Commission Act*, an audit of the accounts of the Ontario Racing Commission has been completed for the year ended March 31, 2016. A copy of the audited financial statements is enclosed.

You will be pleased to note that I have given an unqualified audit opinion on the enclosed financial statements. The audit procedures and tests to determine my opinion are not designed to identify all weaknesses in internal controls, provide assurances on systems and procedures as such, nor to detect all instances of non-compliance. The audit is designed to provide an opinion on the fairness of the financial statements and therefore does not deal directly with value-for-money issues.

Copies of the audited financial statements have also been forwarded to the Minister and Deputy Minister of Agriculture, Food and Rural Affairs, the Attorney General and Deputy Attorney General and to the Secretary of Treasury Board.

Sincerely,

Susan Klein, CPA, CA, LPA
Assistant Auditor General

Encl.

cc: with attachment
Honourable Jeff Leal, Minister, Ministry of Agriculture, Food and Rural Affairs
Ms. Deb Stark, Deputy Minister, Ministry of Agriculture, Food and Rural Affairs
Honourable Yasir Naqvi, Attorney General
Mr. Patrick Monahan, Deputy Attorney General
Mr. Greg Orencsak, Secretary of Treasury Board

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Ontario Racing Commission

Finanical Statements
For the Year Ended March 31, 2016

Ontario Racing Commission
Financial Statements
For the Year Ended March 31, 2016

Alcohol and Gaming Commission of Ontario
90 Sheppard Avenue East
Suite 200
Toronto, ON M2N 0A4

Commission des alcools et des jeux de l'Ontario
90, avenue Sheppard Est
Bureau 200
Toronto, ON M2N 0A4

Ontario

Ontario Racing Commission

Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Racing Commission have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of management. The preparation of the financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 29, 2016.

Management is responsible for the integrity of the financial statements and maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Commission's assets are properly accounted for and adequately safeguarded.

The appointed Commission is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Commission meets periodically with management and the Office of the Auditor General of Ontario to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the Auditor's examination and opinion.

On behalf of management:

Jean Major
Executive Director and
Chief Executive Officer

Teresa Tedesco
Chief Administrative Officer

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Alcohol and Gaming Commission of Ontario
and to the Minister of Agriculture, Food and Rural Affairs

I have audited the accompanying financial statements of the Ontario Racing Commission, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Racing Commission as at March 31, 2016 and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Dissolution of the Commission

While not affecting my opinion, I draw attention to Note 19 to the financial statements, which indicates that as of April 1, 2016 the Ontario Racing Commission was dissolved. Amending legislation integrated the Commission's mandate within that of both the Ontario Lottery and Gaming Corporation and the Alcohol and Gaming Commission of Ontario.

Toronto, Ontario
June 29, 2016

Susan Klein, CPA, CA, LPA
Assistant Auditor General

Ontario Racing Commission

Statement of Financial Position
For the year ended March 31, 2016

	March 31, 2016 ($ 000)	March 31, 2015 ($ 000)
Financial Assets		
Cash (Note 4(A))	6,217	7,192
Accounts receivable (Note 6)	992	1,153
	7,209	8,345
Liabilities		
Accounts payable and accrued liabilities (Note 7)	2,960	3,876
Deferred Revenue (Note 3)	-	1,327
Accrued benefit obligation (Note 8(B))	1,558	640
Deferred lease inducement (Note 17)	-	82
	4,518	5,925
Net Financial Assets	2,691	2,420
Non-Financial Assets		
Tangible capital assets (Note 9)	-	128
Prepaid expenses	38	33
	38	161
Accumulated Surplus (Note 4(B))	2,729	2,581

Commitments and Contingencies (Note 14)

Amounts Held in Trust (Note 5)

See accompanying notes to financial statements.

Approved on behalf of the Commission:

Member

Member

Ontario Racing Commission

Statement of Operations
For the year ended March 31, 2016

	Budget 2016 ($ 000) (Note 18)	2016 ($ 000)	2015 ($ 000)
Revenue			
Horse Racing Partnership Funding Program (Schedule A)	100,020	100,037	98,586
Regulatory Funding (Note 10)	6,352	6,504	6,351
Licence and registration fees	2,426	2,400	2,426
Cost recovery (Note 11)	605	685	605
Fines and penalties	105	128	106
Interest income	50	25	51
Miscellaneous	26	28	26
Total revenue	109,584	109,807	108,151
Expenses (Note 15)			
Horse Racing Partnership Funding Program (Schedule A)	98,533	98,825	98,319
Race Officiating	3,482	3,868	2,874
Compliance Investigation	1,305	1,379	1,210
Medication Control	1,320	1,416	1,294
Administration	816	891	746
Hearings & Adjudication	518	703	477
Governance	830	740	644
Licensing & Due Diligence	1,058	870	979
HIP and QHRIDP Administration (Note 3)	458	432	469
Veterinary Services	459	452	437
Government Services	58	71	62
Industry Support	10	12	10
Total expenses	108,847	109,659	107,521
Annual Surplus	737	148	630
Accumulated Surplus, beginning of year	2,581	2,581	1,951
Accumulated Surplus, end of year	3,318	2,729	2,581

See accompanying notes to financial statements.

Ontario Racing Commission

Statement of Changes in Net Financial Assets
For the Year Ended March 31, 2016

	2016 ($ 000)	2015 ($ 000)
Annual Surplus	148	630
(Acquisition) of tangible capital assets	(3)	(47)
Amortization of tangible capital assets	73	75
Loss on disposal of tangible capital assets	58	-
(Acquisition) of prepaid expense	(79)	(76)
Use of prepaid expense	74	76
	123	28
Increase in net financial assets	271	658
Net financial assets, beginning of year	2,420	1,762
Net financial assets, end of year	2,691	2,420

See accompanying notes to financial statements.

Ontario Racing Commission

Statement of Cash Flows
For the Year Ended March 31, 2016

	2016 ($ 000)	2015 ($ 000)
Operating transactions		
Annual Surplus	148	630
Amortization of tangible capital assets	73	75
Loss on disposal of tangible capital assets	58	-
	279	705
Changes in non-cash operating balances		
Non-cash operating working capital	(2,087)	4,310
Accrued benefit obligation	918	(102)
Deferred lease inducement	(82)	(113)
	(1,251)	4,095
Capital transactions		
Purchase of tangible capital assets	(3)	(47)
	(3)	(47)
Net change in cash	(975)	4,753
Cash, beginning of year	7,192	2,439
Cash, end of year	6,217	7,192

See accompanying notes to financial statements.

Ontario Racing Commission

Horse Racing Partnership Funding Program (HRPFP)
For the Year Ended March 31, 2016

Schedule A

	Budget 2016 ($ 000)	2016 ($ 000)	(Note 3) 2015 ($ 000)
Revenue			
HRPFP Transfer Payment Agreement	99,900	99,900	99,800
Interest and Miscellaneous Income	120	137	113
	100,020	100,037	99,913
Less: Deferred Revenue	-		(1,327)
Total Revenue	100,020	100,037	98,586
Expenses (Note 15)			
Purses			
Centralized Tracks	71,238	71,677	70,919
Regional Tracks	2,023	2,063	1,532
FAR Tracks	7,944	7,949	8,100
Operational Support			
Regional Tracks	1,684	1,647	1,492
FAR Tracks	8,080	8,080	7,929
Industry Development			
Breeder Support	5,890	5,890	7,000
Ontario Racing Association Support	-	428	-
HRPFP Administration	1,267	921	916
Marketing, Branding and Communication	333	132	356
Other	74	38	75
Total HRPFP Expense net of HIP and QHRIDP Admin	98,533	98,825	98,319
HIP and QHRIDP Administration (Note 3)	-	248	267
Total HRPFP Expenses	98,533	99,073	98,586
Annual Surplus	1,487	964	-

Ontario Racing Commission

Notes to Financial Statements
March 31, 2016

1. Objective of the Commission

Effective December 15, 2000, the *Racing Commission Act, 2000* continued the Ontario Racing Commission (the "Commission") as an independent self-financing regulatory agency of the Crown. The Commission is responsible to govern, direct, control and regulate horse racing in the Province.

As an Ontario Crown agency, the Commission is exempted from federal and provincial income taxes under the *Income Tax Act* (Canada).

Effective April 1, 2016 the Commission is dissolved and the *Racing Commission Act, 2000* is repealed. The *Horse Racing Licence Act*, 2015 gives the Registrar of Alcohol, Gaming and Racing regulatory authority over the conduct of horse racing and those persons and entities licensed under the Act to participate in horse racing in Ontario.

2. Significant Accounting Policies

(A) BASIS OF ACCOUNTING

These financial statements have been prepared by management in accordance with public sector accounting standards established by the Canadian Public Sector Accounting Board.

(B) TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful life of the asset, beginning in the year following acquisition, as follows:

Office furniture and equipment	5 years
Computer equipment and software	3 years
Custom developed software	7 years
Leasehold improvements	remaining term of lease

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Commission's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write-downs are accounted for as expenses in the Statement of Operations.

(C) REVENUE RECOGNITION

The regulatory funding is recognized as income in the year it is due.
Licence and registration fees are recognized as income when issued.
Revenue from fines and penalties, less a provision for uncollectible amounts, is recorded when such fines and penalties are imposed.

Deferred revenue is recognized as amounts received during the year, under the HRPFP, which is committed to be paid out after the year-end to transfer payment agreement recipients when all eligibility criteria have been met.

2. Significant Accounting Policies (continued)

(D) EXPENSE RECOGNITION

Expenses are recognized on an accrual basis as incurred, in the year to which they relate.

(E) EMPLOYEE BENEFITS

(I) PENSION BENEFITS

The Commission's employees participate in the Public Service Pension Fund (PSPF), which is a defined benefit pension plan for employees of the Province and many provincial agencies. While participation in the fund is mandatory for full-time employees, part-time employees have the ability to opt out of the Fund. The Province of Ontario, which is the sole sponsor of the PSPF, determines the Commission's annual payments to the fund. As the sponsors are responsible for ensuring that the pension fund is financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Commission.

(II) NON-PENSION BENEFITS

The cost of post-retirement non-pension employee benefits is paid by the Province and is not included in the Statement of Operations.

(III) ACCRUED BENEFIT OBLIGATION

The accrued benefit obligation records earned employee severance payments due upon termination.

(F) FINANCIAL INSTRUMENTS

The Commission's financial assets and financial liabilities are accounted for as follows:

- Cash is subject to an insignificant risk of change in value so carrying value approximates fair value.
- Accounts receivable are recorded at amortized cost less any amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value, when collectability and risk of loss exists. Changes in valuation allowances are recognized in the Statement of operations.
- Accounts payable and accrued liabilities are recorded at cost.

The Commission does not use derivative financial instruments.

(G) MEASUREMENT UNCERTAINTY

The preparation of financial statements in accordance with Canadian public sector accounting standards requires that management make estimates and assumptions that affect the reported amount of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses for the period. Items requiring the use of significant estimates include: allocation of costs between the Commission and Ontario Horse Racing and valuation allowances.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

3. Horse Racing Partnership Funding Program (Ontario Horse Racing)

On March 12, 2012 the Ontario Lottery and Gaming Corporation ("OLG") and the Ministry of Finance made an announcement that the Slots-At-Racetrack Program in Ontario would end on March 31, 2013. In response to the cancellation of the slots program, in October 2013 the then Ontario Ministry of Agriculture and Food ("OMAF") announced a five year Horse Racing Partnership Funding Program ("HRPFP" or "Program") to take effect April 1, 2014. The Program was established by Order in Councils 251/2014 and 528/2014 in early 2014.

One of the components of the HRPFP is the establishment of a new Division at the Commission, Ontario Horse Racing (OHR). This new division is the industry development arm of the Commission, and is responsible for ensuring the effective implementation of the Program and the distribution of the HRPFP funding. The province's five-year Plan will provide up to $500 million (at $100 million per year) to support the horse racing industry. The Plan includes enhancing support for purses, race dates, and the racehorse breeders, integrating horse racing into the province's gaming strategy and encouraging a new model of governance for the industry.

In fiscal 2016 the Commission received $99.9 million in funds from the HRPFP (2015 – $99.8 million).
The Commission has entered into an Accountability Agreement with the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA), which further defines funded activities, establishes a reporting framework, and sets accountability indicators and performance targets.

For purposes of the HRPFP, Ontario racetracks have been segmented into three categories:

1. Centralized funds support Clinton Raceway, Flamboro Downs, Georgian Downs, Grand River Raceway, Hanover Raceway, Western Fair, Mohawk Racetrack and Woodbine Racetrack.
2. Regional funds support Dresden Raceway, Hiawatha Horse Park, Kawartha Downs, and Lakeshore Raceway.
3. FAR funds support Fort Erie, Ajax Downs, and Rideau Carleton.

Total costs of administering the Horse Improvement Program (HIP) and Quarter Horse Racing Industry Development Program (QHRIDP) in 2015-2016 were $432,000 (2015 - $469,000) of which $248,000 (2015 – $267,000) has been funded by the HRPFP.

At March 31, 2015, deferred revenue of $1,327,000 represented amounts received during the year under the HRPFP, which were committed to be paid out to transfer payment agreement recipients after the year-end. However, since the Commission had not distributed most of the funding, due to the eligibility criteria not being met, OMAFRA requested and was repaid $1,289,000 of the funding provided to the HRPFP.

The Commission and the AGCO have agreed to use up to $900,000 of the 2016 OHR surplus to fund the 2017 operating costs of a new industry organization, Ontario Racing Association (ORA). The ORA is a not-for-profit Ontario corporation that represents the horse racing industry to the public, industry partners, and government, focusing on the areas of horse improvement, racing programs, communications, marketing, business development, and industry standards.

4. Cash and Cash Reserve

(A) Cash

The cash balance on the Statement of financial position is made up of the following:

	March 31, 2016 ($ 000)	March 31, 2015 ($ 000)
General	2,855	2,944
Ontario Horse Racing	2,362	3,248
Reserve	1,000	1,000
	6,217	7,192

(B) RESERVE

Subsection 13(l) of the *Racing Commission Act, 2000* allows the Commission to retain its surplus funds unless, under subsection 13(2), it is ordered by the Minister responsible for the Commission to pay into the Consolidated Revenue Fund of the Province of Ontario the portion of its surplus funds as determined by the Minister. In fiscal 2002, the Commission obtained approval from the Ministry of Government and Consumer Services to establish a Reserve account not to exceed 25% of the Commission's annual operating budget.

5. Amounts Held in Trust

As at March 31, 2016, the Commission held funds in trust in interest-bearing bank accounts for others in the horse racing industry, as follows:

	2016 ($ 000)	2015 ($ 000)
Amounts held in trust:		
Standardbred horsepeople purse account funds	21	668
Total Carbon Dioxide Program	0	20
Quinte racetrack horsepeople purse account funds	0	12
	21	700

Trusts administered by the Commission are not included in the financial statements as the assets are not held for the benefit of the Commission. As of April 1, 2016 the Ontario Lottery and Gaming Corporation will be holding these funds in trust.

(A) STANDARDBRED HORSEPEOPLE PURSE ACCOUNT FUNDS

The Commission is holding purse funds from vacated markets and non-licensed tracks for re-distribution for purses at other racetracks.

5. Amounts Held in Trust (continued)

(B) TOTAL CARBON DIOXIDE (TCO2) PROGRAM

The amount held in trust represents funding received from the Canadian Pari-Mutuel Agency ("CPMA") in prior years to subsidize the tracks for the costs of tests to detect the presence of alkalinizing agents in horses at racetracks that provide pari-mutuel betting. In fiscal year 2015, these amounts were not paid prior to the year end and were being held in trust for the racetracks. All amounts were paid to the racetracks in fiscal 2016.

(C) QUINTE RACETRACK HORSEPEOPLE PURSE ACCOUNT FUNDS

Due to the lack of a licensed operator at the Quinte racetrack, commencing December 2008 the Commission has held the horsepeople purse account in trust. In fiscal 2016, this amount was transferred to the Standardbred horsepeople purse account funds.

6. Accounts Receivable

	March 31, 2016 ($ 000)	March 31, 2015 ($ 000)
Revenue and other receivables	939	1,080
HST Receivable	79	99
	1,018	1,179
Less: Allowance for Doubtful Accounts	(26)	(26)
	992	1,153

Accounts receivables is comprised of HST receivable and amounts due from industry licensees, which are due upon receipt of invoice. Provisions for doubtful accounts are not necessary on most revenue-related receivables due to the licensing relationship that the Commission has with these parties. The allowance for doubtful accounts represents the corresponding provision for a portion of fines receivable.

7. Accounts Payable and Accrued Liabilities

	March 31, 2016 ($ 000)	March 31, 2015 ($ 000)
Accounts payable	2,564	3,153
Accrued vacation, salaries and other benefits	396	723
	2,960	3,876

Accounts Payable relates largely to normal business transactions with third-party vendors and is subject to standard commercial terms. Accrued vacation, salaries and other benefits are recorded based on employment arrangements and employment practices under the related legislation. Compensation payables are paid out as required under these contractual or statutory obligations.

8. Employee Benefits

(A) PENSION BENEFITS

The Commission's annual payments of $283,000 (2015-$280,000), are included in employee benefits expense in Note 15.

(B) ACCRUED BENEFIT OBLIGATION

In fiscal 2016, due to the dissolution (Note 19), the employee benefits expense increase by $1,062,000.

9. Tangible Capital Assets

	($ 000)				($ 000)
	Computer equipment and software	Custom Developed Software	Office furniture and equipment	Leasehold Improvements	Net Book Value
Cost					
Opening balance, April 1, 2015	467	44	292	450	1,253
Additions			3	—	3
Disposals	(467)	(44)	(295)	(450)	(1,256)
Closing Balance, March 31, 2016	0	0	0	0	0
Accumulated Amortization					
Opening Balance, April 1, 2015	(438)	—	(282)	(405)	(1,125)
Amortization	(18)	(6)	(4)	(45)	(73)
Disposals	456	6	286	450	1,198
Closing Balance, March 31, 2016	0	0	0	0	0
Net Book Value, March 31, 2016	**0**	**0**	**0**	**0**	**0**

	($ 000)				($ 000)
	Computer equipment and software	Custom Developed Software	Office furniture and equipment	Leasehold Improvements	Net Book Value
Cost					
Opening balance, April 1, 2014	465	—	291	450	1,206
Additions	2	44	1	—	47
Closing Balance, March 31, 2015	467	44	292	450	1,253
Accumulated Amortization					
Opening Balance, April 1, 2014	(412)	—	(278)	(360)	(1,050)
Amortization	(26)	—	(4)	(45)	(75)
Closing Balance, March 31, 2015	(438)	—	(282)	(405)	(1,125)
Net Book Value, March 31, 2015	**29**	**44**	**10**	**45**	**128**

9. Tangible Capital Assets (continued)

Upon the dissolution of the Commission (Note 19), all capital assets were no longer to be used and were disposed of, resulting in a loss on disposal of $58,000.

10. Regulatory Funding

The regulatory funding amount was established such that the total sum of this funding and other revenues received by the Commission would be sufficient to cover all costs associated with the operation of the Commission. The funding is calculated as a percentage of total wagering made at each racing association. Effective April 1, 2014 the percentage of wagering earned as regulatory funding increased from 0.5 percent to 0.75 percent.

11. Cost Recovery

The Commission recovers certain costs from the industry and OMAFRA for its activities as follows:

	2016 ($ 000)	2015 ($ 000)
Cost recovery from:		
TCO2 Program	540	522
Staff secondments to other organizations	62	-
Miscellaneous	83	83
	685	605

(A) TCO2 PROGRAM

As of October 1, 2010, the Commission assumed responsibility for the sample collection and laboratory testing services of the TCO2 Program. The costs of tests to detect the presence of alkalinizing agents in horses at racetracks that provide pari-mutuel betting are included as Medication Control on the Statement of Operations. These test costs are fully recovered and included as Cost Recovery through charges to the racetrack operators, net of CPMA funding subsidies.

(B) STAFF SECONDMENTS TO OTHER ORGANIZATIONS

During the year the Commission seconded out a number of employees to various organizations for brief periods of time.

12. Members' Remuneration

Total remuneration of the Chair and members of the Commission for the year was $144,000 (2015 – $139,000). Members' remuneration is charged to Governance expense in the Statement of Operations and in Services in Note 15.

13. Financial Instruments

(A) Liquidity risk:
Liquidity risk is the risk that the Commission will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Commission manages its liquidity risk by monitoring its operating requirements. The Commission prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

(B) Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Commission is exposed to credit risk arising from its accounts receivable. Due to the nature of these receivables, the Commission recognizes its receivables net of an impairment based on historical trends.
It is management's opinion that the Commission is not exposed to significant interest rate, currency, liquidity or credit risk arising from its financial instruments due to their nature.

14. Commitments and Contingencies

Commitments under operating leases for premises and vehicles has been transferred to the AGCO as a result of the dissolution. (Note 19)

15. Expenses by Object

The following is a summary of expenses by object:

	2016 ($ 000)	2015 ($ 000)
Salaries and wages	4,318	4,602
Services (Note 16)	102,309	101,073
Employee benefits (Note 8)	1,968	816
Transportation and communication	749	840
Supplies	242	115
Amortization	73	75
Total expenses	109,659	107,521

Expenses incurred for a specific activity are allocated to that activity based on actual costs. Expenses that have not been identified with a specific activity, such as overhead costs, have been allocated to the lines of business on the Statement of Operations based on estimates of time spent in each activity.

16. Related Party Transactions

The Commission paid the Province of Ontario for: Ontario Provincial Police investigative and related services totalling $1,049,000 (2015 – $961,000); and for administrative services, information technology services, and use of computer equipment totalling $400,000 (2015 – $222,000).

During the year, the Commission received funding from OMAFRA under the Horse Racing Partnership Funding Program of $99.9 million (2015 - $99.8 million) (Note 3).

The Commission has governance and administrative responsibilities over certain industry-funded programs and recovers some of its costs as disclosed under Note 11.

During the year the Commission paid $84,000 (2015 - $0) to the AGCO for shared staff costs resulting from combining operations in July of 2015 in anticipation of the dissolution of the Commission (Note 19).

17. Deferred Lease Inducement

As part of its lease arrangements for its head office premise, the Commission negotiated a lease inducement of $820,000. This included the value of rent-free periods and to cover the costs of leasehold improvements. This deferred lease inducement was being amortized as a reduction of rent expense on a straight-line basis over the 10-year lease period that commenced April 1, 2006, being the start date of the lease. As of March 31, 2016, this inducement has been fully amortized.

18. Budgeted Figures

The budgeted figures for the Commission represent the initial budget for the year approved by the Board of Directors of the Commission. The budgeted figures for the HRPFP were established in the Agreement Amending the ORC Accountability Agreement with the then OMAF dated March 26, 2014. These financial statements present only the original approved Budget.

19. Dissolution of the Commission

The Horse Racing Licence Act, 2015 came into force on April 1, 2016. Under the Act, the Commission was dissolved and the Racing Commission Act, 2000 was repealed. The Act gives the Registrar of Alcohol, Gaming and Racing regulatory authority over the conduct of horse racing and those persons and entities licensed under the Act to participate in horse racing in Ontario.

In addition, the Act transfers the assets, liabilities, rights and obligations of the dissolved Commission to the AGCO. To aid in winding up the affairs of the Commission, Ontario Regulation 61/16, makes the AGCO a party to civil litigation involving the dissolved Ontario Racing Commission and keeps the bank accounts of the Commission open until the Minister under the Act directs them to be closed.

Effective April 1, 2016, the Ontario Lottery and Gaming Corporation Act and related regulation transferred the administration and funding of the HRPFP from the Commission to the Ontario Lottery Gaming Corporation (OLG).

Ontario Racetracks

Thoroughbred Offices

Fort Erie Racetrack, Fort Erie
(905) 871-3200 ext. 3612

Woodbine Racetrack, Toronto
(416) 675-3993 ext. 2237

Standardbred Offices

Clinton Raceway, Clinton
(519) 482-5270 ask for the AGCO Race office

Dresden Raceway, Dresden
(519) 683-4466 ask for the AGCO Race office

Flamboro Downs, Dundas
(905) 627-3561 ext. 261

Georgian Downs, Innisfil
(705) 726-9400 ext. 406

Grand River Raceway, Elora
(519) 846-5455 ask for the AGCO Race office

Hanover Raceway, Hanover
(519) 364-2860 ask for the AGCO Race office

Hiawatha Horse Park, Sarnia
(519) 542-5543 ask for the AGCO Race office

Kawartha Downs, Fraserville
(705) 939-6316 ext. 232

Lakeshore Racing, Leamington
519-966-7468 ask for the AGCO Race office

Mohawk Racetrack, Campbellville
(905) 854-2255 ext. 4311

Rideau Carleton Raceway, Ottawa
(613) 822-2211 ext. 355

The Raceway at Western Fair, London
(519) 438-7203 ext. 511

Woodbine Raceway, Rexdale
(416) 675-3993 ext. 2641

Quarter Horse Office

Ajax Downs, Ajax
(905) 686-8001 ext. 242

AGCO | Alcohol and Gaming Commission of Ontario

Ontario

Alcohol and Gaming Commission of Ontario
90 Sheppard Avenue E, Suite 200
Toronto ON, M2N 0A4
(416) 326-8700
www.agco.on.ca
customer.service@agco.ca

ISSN 1911-902X (Print)
ISSN 1911-9038 (Online)

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